ZAGREBAČKI HOLDING d.o.o., Zagreb

Unconsolidated financial statements
For the year ended 31 December 2012
Together with Independent Auditor's Report

Contents

Responsibility for the unconsolidated financial statements

Pursuant to the applicable Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs") as published by the International Accounting Standards Board ("IASB"), which give a true and fair view of the financial position and results of operations of the Company for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the unconsolidated financial statements.

In preparing those unconsolidated financial statements, the responsibilities of the Management Board of Company include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and their compliance with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These unconsolidated financial statements were authorised for issue by the Management Board on 31 May 2013.

Signed on behalf of the Management Board:

Ivo Čović, Graduate Engineer

Ivo Čović

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d.o.o.
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31 May 2013

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Independent Auditor's Report

To the Owner of Zagrebački holding d.o.o.:

We have audited the accompanying unconsolidated financial statements of Zagrebački Holding d.o.o. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2012 and the related combined unconsolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as provided below in Paragraph 1), Basis for qualified opinion, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the unconsolidated financial statements of an entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (continued)

Basis for qualified opinion

1) Bus leases

During 2008 and 2009 the Company entered into lease agreements for 214 buses over a period of 96 months (8 years), with the total value of the agreements amounting to HRK 978,885 thousand. Those leases are recognised in the Company's books as operating leases. As per the agreements, the monthly lease payment includes additional charges such as registration, servicing, insurance and other costs related to the operability of the buses over the term of the lease. Since we could not satisfy ourselves as to the amount of such additional costs included in the lease payment and were not able to make full distinction between the principal, interest and other cost amounts included in the monthly lease payments charged by the lessors, we were not able to determine whether the lease agreements are financial or operating leases as specified in International Accounting Standard 17 "Leases" (IAS 17). As a result, we could not determine whether any of the amounts require restatement.

2) *Classification of leases*

As disclosed in Note 18 to the unconsolidated financial statements, the Company, as the lessor, entered into several lease agreements during 2009 and 2008, which have been accounted for as operating leases. However, the classification of these agreements at inception is not compliant with International Accounting Standard 17 "Leases" (IAS 17), according to which a lease where the present value of minimum future payments under the lease agreement approximates the fair value of the leased asset is classified as a financial lease, which is the nature of the leases entered into by the Company. Had the Company accounted for its lease agreements properly as financial leases, as of 31 December 2012, the receivables under financial lease, less future income earned, would have been be higher by HRK 646,454 thousand, property, plant and equipment would have been be lower by HRK 888,037 thousand, retained earnings would have been lower by HRK 211,301 thousand, and the result for the year then ended would have been lower by HRK 30,282 thousand.

Qualified opinion

In our opinion, except for the potential effects of the matters discussed in Paragraph 1) and the effects of the matters presented in Paragraph 2) of the Basis of qualified opinion paragraph, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2012, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Independent Auditor's Report (continued)

Emphasis of matter

Without further qualifying our opinion, we draw attention to the following:

a) *Title to property*

As discussed in Note 18, certain local municipal land registers have not been fully updated. The registration of the Company's title to land and buildings in appropriate registers, serving as evidence of ownership, is in progress. Although the Company possesses certain documents serving as evidence of title, there is uncertainty as to the final status of those assets.

b) *Consolidated financial statements*

We draw attention to the fact that the consolidated financial statements of Zagrebački holding d.o.o. and its subsidiaries (jointly referred to as "the Group"), prepared under International Financial Reporting Standards, have not yet been published. The consolidated financial statements will be issued in June 2013. For a better understanding of the Group as a whole, the consolidated financial statements should be read in conjunction with these financial statements. Our opinion is not modified in this respect.

Deloitte d.o.o., Zagreb

Branislav Vrtačnik, Certified Auditor and Board member

31 May 2013

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012	2011 As restated
		(in HRK'000)	(in HRK'000)
OPERATING INCOME			
Sales	5	2,673,897	2,537,358
Other operating income	6	1,104,693	1,117,154
Total		**3,778,590**	**3,654,512**
OPERATING EXPENSES			
Cost of material and services	7	(1,249,458)	(1,216,228)
Staff costs	8	(1,701,393)	(1,685,034)
Depreciation	9	(490,948)	(473,870)
Other expenses	10	(30,296)	(25,638)
Impairment allowance	11	(178,911)	(239,190)
Provisions	12	(101,222)	(52,602)
Other operating expenses	13	(49,379)	(54,166)
Total		**(3,801,607)**	**(3,746,728)**
FINANCIAL INCOME	14	**69,679**	**112,734**
FINANCIAL EXPENSES	15	**(404,376)**	**(508,696)**
TOTAL INCOME		**3,848,269**	**3,767,246**
TOTAL EXPENSES		**(4,205,983)**	**(4,255,424)**
LOSS BEFORE TAX		**(357,714)**	**(488,178)**
(Income tax expense) / tax income	16	(1,295)	2,556
LOSS FOR THE YEAR		**(359,009)**	**(485,622)**
Other comprehensive (loss) / income, net		**(165)**	**701,971**
(Loss) / gain on revaluation of property, net of tax	30	(165)	701,971
Total comprehensive (loss) / income for the year		**(359,174)**	**216,349**

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

	Notes	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
		(in HRK'000)	(in HRK'000)	(in HRK'000)
NON-CURRENT ASSETS				
Intangible assets	17	45,752	17,627	15,944
Property, plant and equipment	18	13,719,461	13,972,176	13,326,427
Investment property	19	2,764,386	2,823,683	2,264,358
Investments in subsidiaries	20	336,542	336,542	991,796
Non-current receivables	22	1,741,511	1,893,301	2,014,743
Other financial assets	21	115,572	114,928	113,601
Deferred tax assets	16	61,571	62,866	60,007
Total non-current assets		**18,784,795**	**19,221,123**	**18,786,876**
CURRENT ASSETS				
Inventories	23	765,687	812,263	808,389
Current receivables				
Receivables from related companies	24	413,359	506,947	635,390
Trade receivables	25	704,014	676,409	710,205
Amounts due from employees	26	3,014	2,028	1,757
Receivables from the State	27	8,623	8,161	14,730
Other receivables	28	138,538	119,535	125,358
Total current assets		*1,267,548*	*1,313,080*	*1,487,440*
Other financial assets	21	6,430	4,714	3,191
Cash and cash equivalents	29	49,455	89,793	63,986
Total current assets		**2,089,120**	**2,219,850**	**2,363,006**
TOTAL ASSETS		**20,873,915**	**21,440,973**	**21,149,882**
Off balance sheet items	42	879,665	1,007,319	1,235,029

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

EQUITY	Notes	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
		(in HRK'000)	(in HRK'000)	(in HRK'000)
Share capital	30	4,208,629	4,208,629	4,208,629
Revaluation reserve	30	2,782,305	2,782,470	2,080,499
Other reserves	30	97,300	97,300	15,125
(Accumulated losses) / retained earnings	30	(375,393)	(16,384)	473,931
Total equity		**6,712,841**	**7,072,015**	**6,778,184**
NON-CURRENT LIABILITIES				
Loans and borrowings payable	32	2,843,237	3,171,605	3,457,060
Liabilities in respect of issued bonds	33	2,263,687	2,259,126	2,215,552
Deferred tax liability	16	669,960	670,102	494,748
Provisions	31	378,627	338,731	380,849
Deferred income	35	4,516,492	4,637,317	4,871,303
Other long-term liabilities	34	255,730	225,820	219,756
Total non-current liabilities		**10,927,733**	**11,302,701**	**11,639,268**
CURRENT LIABILITIES				
Trade payables	38	840,539	863,713	888,220
Liabilities to related companies	36	216,482	87,897	66,569
Loans and borrowings	32	1,418,944	1,270,316	995,301
Liabilities in respect of loans, deposits and similar	37	27,028	22,415	17,390
Amounts due to employees	39	81,357	89,087	85,718
Taxes and contributions payable	40	115,914	122,914	87,870
Other current liabilities	41	533,077	609,915	591,362
Total current liabilities		**3,233,341**	**3,066,257**	**2,732,430**
TOTAL EQUITY AND LIABILITIES		**20,873,915**	**21,440,973**	**21,149,882**
Off balance sheet items	42	879,665	1,007,319	1,235,029

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

Unconsolidated statement of changes in shareholders' equity

For the year ended 31 December 2012

	Share capital	Other reserves	Reserves on revaluation of property	Retained earnings/ accumulated losses	Total
	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)
Opening balance at 01/01/2010 (as restated)	**4,208,629**	**15,125**	**2,080,499**	**524,246**	**6,828,499**
Loss for the year	-	-	-	(50,315)	**(50,315)**
At 1 January 2011 (as restated)	**4,208,629**	**15,125**	**2,080,499**	**473,931**	**6,778,184**
Effects of mergers of related companies	-	-	-	(4,693)	**(4,693)**
Capital reserves allocated as per a decision of the equity holder	-	82,175	-	-	**82,175**
Other comprehensive income	-	-	701,971	-	**701,971**
Loss for the year	-	-	-	(485,622)	**(485,622)**
Balance at 31 December 2011 (as restated)	**4,208,629**	**97,300**	**2,782,470**	**(16,384)**	**7,072,015**
Other comprehensive loss	-	-	(165)	-	**(165)**
Loss for the year	-	-	-	(359,009)	**(359,009)**
Balance at 31 December 2012	**4,208,629**	**97,300**	**2,782,305**	**(375,393)**	**6,712,841**

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

Unconsolidated statement of cash flows

For the year ended 31 December 2012

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Loss for the year	**(359,009)**	**(485,622)**
Tax expense / (income) recognised in the income statement	1,295	(2,556)
Finance cost recognised in profit or loss	384,569	365,171
Investment income recognised in profit or loss	(30,702)	(36,098)
Impairment allowance on current assets	114,007	116,854
Change in the fair value of investment property	59,297	118,777
Impairment allowance on other non-current assets	5,607	2,069
Depreciation and amortisation	490,946	473,864
Loss / (gain) from sale of assets	8,296	(4,019)
Decrease in deferred income on assets financed by others	(120,826)	(151,810)
Increase / (decrease) in long-term provisions	39,896	(42,121)
Foreign exchange loss	4,630	81,324
Changes in working capital:		
Decrease in inventories	24,525	17,218
Decrease of prepayments for non-current assets	4,287	13,748
Increase in trade receivables	(141,612)	(83,008)
Decrease in receivables from related companies	93,588	101,995
Increase in amounts due from employees	(986)	(271)
(Increase) / decrease in receivables from the State	(462)	6,569
(Increase) / decrease in other receivables	(17,469)	8,884
Increase in financial assets	(767)	(1,328)
Increase / (decrease) in liabilities to suppliers and related parties	105,410	(5,203)
Increase in advances received	4,613	5,025
(Decrease) / increase in taxes and contributions payable	(7,000)	35,044
(Decrease) / increase in amounts due to employees	(7,730)	3,369
Decrease in other non-current liabilities	(75,423)	(94,896)
(Decrease) / increase in other current liabilities	(76,838)	18,307
Net cash generated from operations	**502,142**	**461,286**

Consolidated statement of cash flows (continued)

For the year ended 31 December 2012

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Cash flows from operating activities		
Cash generated from operations	502,142	461,286
Interest paid	(279,379)	(264,349)
Net cash generated from operating activities	**222,763**	**196,937**
Cash flows from investing activities		
Purchases of tangible and intangible assets	(268,738)	(282,580)
Proceeds from sale of tangible assets	6,204	5,913
Decrease in non-current receivables	151,789	115,166
(Increase) / decrease in current financial assets	(1,717)	(1,524)
Interest paid	29,170	33,634
Acquisition of subsidiaries, net of cash acquired	-	175
Net cash used in investing activities	**(83,292)**	**(129,216)**
Cash flows from financing activities		
Received loans and borrowings	1,058,863	1,060,096
Repayments of loans and borrowings	(1,238,672)	(1,102,010)
Net cash used in financing activities	**(179,809)**	**(41,914)**
Net (decrease) / increase in cash	**(40,338)**	**25,807**
Cash at 1 January	**89,793**	**63,986**
Cash at 31 December	**49,455**	**89,793**

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

1. GENERAL INFORMATION

History and incorporation

On 27 December 2005, The City of Zagreb and the Company concluded several share transfer agreements involving 22 companies on the basis of which the ownership interests in these companies were transferred in full from the City of Zagreb to the Company. The transferred equity interests in the nominal amount of HRK 4,036,590 thousand represent assets that are at the free disposal of the Company. In addition, pursuant to these agreements, the City of Zagreb increased the subscribed capital of the Company, by converting the receivables under the Share Transfer Agreement by a total of HRK 4,036,590 thousand in equity.

In 2006 and 2007, several companies, which are enumerated below, were merged into the Company, and the Company underwent several changes in its status, all of which were registered at the Commercial Court in Zagreb.

Upon the merger, the merged entities transferred all of their assets and liabilities to Zagrebački Holding d.o.o. as the acquirer. Pursuant to the underlying merger agreements and the applicable provisions of the Companies Act, the share capital of Zagrebački Holding was not increased by the share capital of each of the merged entities because it held the entire share capital in each of the entities.

#	Name of the branch:	Year of merger	Note
1.	Gradsko stambeno komunalno gospodarstvo	2006	
2.	Vodoopskrba i odvodnja	2006	
3.	Čistoća	2006	
4.	Zagrebačke ceste	2006	
5.	Zrinjevac	2006	
6.	Gradska groblja	2006	
7.	Zagrebparking	2006	
8.	Tržnice Zagreb	2006	
9.	Autobusni kolodvor	2006	
10.	ZGOS	2006	
11.	Zagrebački digitalni grad	2006	
12.	Zagrebački električni tramvaj (ZET)	2006	
13.	Stanogradnja	2006	
14.	Robni terminali Zagreb		
15.	Vladimir Nazor	2007	
16.	Zagrebački velesajam	2007	
17.	Zagreb film	2007	Separated from Holding and transferred to
18.	Zoološki vrt Grada Zagreba (The Zagreb Zoo)	2007	Separated from Holding and transferred to
19.	AGM	2007	
20.	Tehnološki park	2007	Separated from Holding and transferred to
21.	Zagrebačka veletržnica	2007	Extinguished in 2007 and merged to
22.	Sports facility management	2007	
23.	Autobusna radionica Zagreb (ARZ)	2007	Wound-up in 2007 and merged to ZET

1. GENERAL INFORMATION (CONTINUED)

Principal activities

At 31 December 2012 Zagrebački Holding d.o.o., Zagreb ("the Company") comprised the following business units/branches:

Name of the company/branch	Headquarters	Form of organisation	Principal activity	Ownership interest 2012	2011
Zagrebački holding	Avenija Vukovar 41	limited liability company	Public transport; water supply; cleaning, waste collection and disposal; travel agency business; sports, facility and real estate management	100% City of Zagreb	100% City of Zagreb
1. GSKG	Savska cesta 1	branch	Facility management	100% Zg. holding	100% Zg. holding
2. Gradska groblja	Mirogoj 10	branch	Funeral and related services	100% Zg. holding	100% Zg. holding
3. Vodoopskrba i odvodnja	Folnegovićeva 1	branch	Water collection, treatment and supply	100% Zg. holding	100% Zg. holding
4. Čistoća	Radnička 82	branch	Public area cleaning, waste collection and disposal	100% Zg. holding	100% Zg. holding
5. Zagrebački električni tramvaj	Ozaljska 105	branch	Public passenger transport	100% Zg. holding	100% Zg. holding
6. Zrinjevac	Remetinečka 92	branch	Landscaping and plant growing	100% Zg. holding	100% Zg. holding
7. Zagrebparking	Šubićeva 40	branch	Public parking lots and garages	100% Zg. holding	100% Zg. holding
8. Zagrebačke ceste	Donje Svetice 48	branch	Regional and local road management, maintenance and construction	100% Zg. holding	100% Zg. holding
9. Autobusni kolodvor Zagreb	Avenija M.Držića 4	branch	Bus station	100% Zg. holding	100% Zg. holding
10. Tržnice Zagreb	Šubićeva 40	branch	Wholesale and retail markets, warehousing and storage	100% Zg. holding	100% Zg. holding
11. ZGOS	Zeleni trg 3	branch	Waste collection and removal	100% Zg. holding	100% Zg. holding
12. Zagrebački digitalni grad	Slavonska avenija bb	branch	Lease of IT cable and network systems	100% Zg. holding	100% Zg. holding
13. Stanogradnja	Bukovačka 4	branch	Flat construction and sale	100% Zg. holding	100% Zg. holding
14. Sports facility management	Trg K.Ćosića 11	branch	Sports facility management and maintenance	100% Zg. holding	100% Zg. holding

1. GENERAL INFORMATION (CONTINUED)

Principal activities (continued)

	Name of the company/branch	Headquarters	Form of organisation	Principal activity	Ownership interest 2012	Ownership interest 2011
15.	AGM	Mihanovićeva 28	branch	Publishing	100% Zg. holding	100% Zg. holding
16.	Robni terminali Zagreb	Jankomir 25	branch	Warehousing	100% Zg. holding	100% Zg. holding
17.	Vladimir Nazor	Maksimir 52	branch	Travel agency business	100% Zg. holding	100% Zg. holding
18.	Zagrebački velesajam	Av.Dubrovnik 15	branch	Organisation of fairs, congresses, seminars	100% Zg. holding	100% Zg. holding
Companies and institutions owned by Zagrebački holding						
1.	Gradska plinara Zagreb d.o.o.	Radnička 1	limited liability company	Gas distribution	100% Zg. holding	100% Zg. holding
2.	Gradska plinara Zagreb - Opskrba d.o.o.	Radnička 1	limited liability company	Gas supply	100% Zg. holding	100% Zg. holding
3.	Zagreb plakat d.o.o.	Savska cesta 1	limited liability company	Lease of advertising space	51% Zg. holding	51% Zg. holding
4.	Gradska ljekarna Zagreb	Kralja Držislava 6	institution	Drugstore	100% Zg. holding	100% Zg. holding
5.	Zagreb arena d.o.o.	Savska cesta 1	limited liability company	Sports facility management and organisation of sporting events	100% Zg. holding	100% Zg. holding
6.	Zagreb centrum d.d.	Av.Dubrovnik 15	d.d.	Real estate activities	-	*
7.	Zagrebačko investicijsko društvo d.o.o.	Av.Dubrovnik 15	limited liability company	Investment fund management	-	*

* In November 2011 the merger of Zagreb centrum d.d. and Zagrebačko investicijsko društvo d.o.o. into Zagrebački holding d.o.o. was entered in the registry of the Commercial Court in Zagreb based on the Decision of the Assembly of 13 September 2011 and the underlying merger agreements. The mergers were effected by transferring all the assets of those companies, together with all the rights and obligations attaching to them, without increasing the share capital.

1. GENERAL INFORMATION (CONTINUED)

Principal activities

During the year, the principal activities of the Company comprised the provision of the following services:

a. Cleaning and waste removal services
b. Public passenger transport services
c. Water collection, treatment and supply
d. Landscaping and plant growing
e. Management, maintenance, construction and protection of regional and local roads
f. Warehousing and rental services
g. Flat construction and sale
h. Other services

Staff

At 31 December 2012, the Company had 11,620 employees (31 December 2011: 11,779 employees), as presented below:

Branch	31/12/2012	31/12/2011
ZET	4,276	4,316
Čistoća	1,570	1,597
Vodoopskrba i odvodnja	1,221	1,315
Zrinjevac	773	780
Zagrebačke ceste	716	700
Sportski objekti	485	495
Zagreb parking	480	474
Tržnice Zagreb	382	390
Robni terminali Zagreb	342	367
Gradska groblja	314	299
GSKG	299	296
Zagrebački velesajam	233	237
Headquarters	205	184
Autobusni kolodvor Zagreb	123	127
Vladimir Nazor	96	99
ZGOS	39	40
AGM	38	37
Zagrebački digitalni grad	15	12
Stanogradnja	13	14
	11,620	**11,779**

1. GENERAL INFORMATION (CONTINUED)

Directors and management

The members of the Management Board of Zagrebački holding d.o.o. were as follows:

2012	2011
1 Ivo Čović, President	1 Ivo Čović, President
2 Branimir Delić, Member until 12 October 2012	2 Branimir Delić, Member
3 Vlasta Pavić, Member	3 Vlasta Pavić, Member
4 Alenka Košiša Čičin-Šain, Member	4 Alenka Košiša Čičin-Šain, Member
5 Tomislav Čulo, Member since 12 October 2012	

The directors of the companies and branches managed by the Company at 31 December 2012 were as follows:

Company / branch	Director / Manager
Zagrebački holding d.o.o.	Ivo Čović
- 1. Gradsko stambeno komunalno gospodarstvo, a branch	Joško Jakelić
- 2. Gradska groblja, a branch	Ljerka Ćosić
- 3. Vodoopskrba i odvodnja, a branch	Davor Poljak
- 4. Čistoća, a branch	Branimir Valašek
- 5. Zagrebački električni tramvaj, a branch	Dubravko Baričević
- 6. Zrinjevac, a branch	Igor Toljan
- 7. Zagrebparking, a branch	Robert Mišeta
- 8. Zagrebačke ceste, a branch	Alen Gospočić
- 9. Autobusni kolodvor, a branch	Ante Cicvarić
- 10. Tržnice Zagreb, a branch	Dario Kobešćak
- 11. ZGOS, a branch	Zlatko Milanović
- 12. Zagrebački električni tramvaj, a branch	Ivana Krivić
- 13. Stanogradnja, a branch	Filko Cezner, until 31/12/12; Zdravko Juć, since 01/02/12
- 14. Robni terminali Zagreb, a branch	Tada Cigić
- 15. Vladimir Nazor, a branch	Srđan Vlaović
- 16. Zagrebački velesajam, a branch	Milan Trbojević, since 09/02/2012
- 17. AGM, a branch	Bože Čović
- 18. Upravljanje sportskim objektima, a branch	Ivo Erić

1. GENERAL INFORMATION (CONTINUED)

Directors and management (continued)

Members of the **Supervisory Board** of Zagrebački holding during 2012:

1 Ivo Družić, President (until 28 February 2012)

2 Josip Kregar, Deputy President of the Supervisory Board (until 28 February 2012)

3 Anđelka Buneta, Member (until 28 February 2012)

4 Dragan Kovačević, Member (until 01/05/2012)

5 Mato Crkvenac, President (since 28 February 2012)

6 Maruška Vizek, Deputy President (since 28 February 2012)

7 Hrvoje Šimović, Member (since 28 February 2012)

8 Nina Tepeš, Member (since 28/02/2012)

Members of the **Supervisory Board** of Zagrebački holding during 2011:

1 President of the Supervisory Board (until 28 February 2012)

2 Josip Kregar, Deputy President of the Supervisory Board (until 28 February 2012)

3 Anđelka Buneta, Member (until 28 February 2012)

4 Dragan Kovačević, Member (until 1 May 2012)

5 Mato Crkvenac, President (since 28 February 2012)

6 Maruška Vizek, Deputy President (since 28 February 2012)

7 Hrvoje Šimović, Member (since 28 February 2012)

1. GENERAL INFORMATION (CONTINUED)

Directors and management (continued)

The members of the **Assembly** during 2012 were as follows:

1 Davor Bernardić (until 27/09/2012)
2 Dragan Korolija-Marinić (until 27/09/2012)
3 Zvane Brumnić (until 27/09/2012)
4 Dragan Vučić (until 27/09/2012)
5 Jurica Meić (until 27/09/2012)
6 Tatjana Holjevac (until 27/09/2012)
7 Vesna Brezić (until 27/09/2012)
8 Danira Bilić (until 27/09/2012)
9 Velimir Srića (until 24/05/2012)
10 Jozo Radoš (until 24/05/2012)
11 Darinko Kosor (until 27/09/2012)
12 Nenad Matić (24/05-27/09/2012)
13 Dragan Kovačević (24/05-27/09/2012)
14 Mihaela Grubišić Šeba (since 27/09/2012)
15 Đurđica Jurić (since 27/09/2012)
16 Viktor Gotovac (since 27/09/2012)

The members of the **Assembly** during 2011 were as follows:

1 Davor Bernardić
2 Boris Šprem (until 19 December 2011)
3 Zvane Brumnić
4 Mirando Mrsić (until 19 December 2011)
5 Jurica Meić
6 Tatjana Holjevac
7 Jasen Mesić (until 22/02/2011)
8 Velimir Srića (until 24/05/2012)
9 Radimir Čačić (until 12/07/2011)
10 Radimir Čačić (until 25/05/2012)
11 Darinko Kosor
12 Vesna Brezić
13 Dragan Korolija-Marinić (since 19 December 2011)
14 Dragan Vučić (since 19 December 2011)
15 Danira Bilić (since 22/02/2011)
16 Danira Bilić (since 24/05/2012)
17 Dragan Kovačević (since 25/05/2012)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- **Amendments to IFRS 1 *First –time Adoption of IFRS*** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 7 *Financial Instruments: Disclosures*** - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IAS 12 *Income Taxes*** - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)

The adoption of the amended and revised Standards and Interpretation has not lead to changes in the Company's accounting policies.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- **IFRS 9 *Financial Instruments,*** as amended in 2010, (effective for annual periods beginning on or after 1 January 2015)
- **IFRS 10 *Consolidated Financial Statements,*** published on May 2011, supersedes the previous version of IAS 27 (2008) "Consolidated and Separate Financial Statements", (effective for annual periods beginning on or after 1 January 2013)
- **IFRS 11 *Joint Arrangements,*** published on May 2011, superseded IAS 31 "Interests in Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)
- **IFRS 12 *Disclosure of Interests in Other Entities,*** published in May 2011 (effective for annual periods beginning on or after 1 January 2013)
- **IAS 27 *Separate Financial Statements (as amended in 2011)*** - Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 "Consolidated Financial Statements", (effective date of IAS 27 (as amended in 2011) for annual periods beginning on or after 1 January 2013)
- **IAS 28 *Investments in Associates and Joint Ventures (as amended in 2011).*** This version supersedes IAS 28 (2003) Investments in Associates (effective date of IAS 28 (as amended in 2011) for annual periods beginning on or after 1 January 2013)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and Interpretations in issue not yet adopted (continued)

- **Amendments to IFRS 1** ***First –time Adoption of IFRS***, published in March 2012, amendments for government loan with a below market rate of interest when transitioning to IFRS (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7** ***Financial Instruments: Disclosures***, published in December 2011, amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013) and amendments requiring disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015),
- **Amendments to IAS 1*Presentation of Financial Statements*** - Revising the way of presenting the other comprehensive income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 19** ***Employee Benefits*** – Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 32** ***Financial Instruments: Presentation*** and **IFRS 7** ***Financial Instruments: Disclosures***, published in December 2011, amendments to application guidance on the offsetting of financial assets and financial instruments (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 20** ***TStripping Costs in the Production Phase of a Surface Mine*** ((effective for annual periods beginning on or after 1 January 2013).
- **Amendments to various Standards and Interpretations from Annual improvements 2009 – 2011 Cycle,** published in May 2012, a collection of amendments to IFRSs, in response to issues addressed during the 2009 –2011 cycle. Five standards (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) are primarily affected by the amendments, with consequential amendments to numerous others (effective for annual periods beginning on or after 1 January 2013).
- **Transition guidance,** published in June 2012, amendment to IFRS 10, IFRS 11 and IFRS 12., (effective for annual periods beginning on or after 1 January 2013).
- Amendments to investment entities for IFRS 10, IFRS 12, IAS 27 published in October 2012 (effective for annual periods beginning on or after 1 January 2014).

The Management Board has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and Interpretations in issue not yet adopted (continued)

The Management Board anticipates that the adoption of IFRS 9 *Financial Instruments* will have a material impact on the measurement and disclosure of financial statements and the adoption of IFRS 12 *Disclosure of Interest in Other Entities* and IFRS 13 *Fair Value Measurement* will result in more detailed disclosures in the consolidated financial statements.

The Management Board anticipates that the adoption of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* will not have a material impact on the financial statements of the Group in the period of their adoption.

It also anticipates that the adoption of the above-mentioned amendments to IAS 32 and IFRS 7 will result in enhanced disclosures about the offsetting of financial assets and financial liabilities in the future. In addition, the Management Board considers that IFRIC 20 will have no impact on the consolidated financial statements of the Group because the Group is not engaged in the activities of this nature.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards.

b) Basis of preparation of the unconsolidated financial statements

The unconsolidated financial statements of the Group incorporate the financial statements of Zagrebački holding d.o.o. and of its branches.

The unconsolidated financial statements of the Company have been prepared under the historical cost basis, except for certain non-current assets, which are stated at revalued amounts, as disclosed in Note 18 and 19 to the financial statements.

The preparation of the unconsolidated financial statements in accordance with IFRSs requires from management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, and revenues and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3y.

c) Reporting currency

The financial statements are presented in Croatian kunas. All amounts disclosed in these financial statements are presented in thousands of kunas unless stated otherwise. At 31 December 2012, the official exchange rate of the Croatian kuna against 1 euro and 1 US dollar was HRK 7.545624 and HRK 5.726794, respectively (31 December 2011: HRK 7.53042 for 1 US dollar and HRK 5.81994 for 1 euro).

d) Intangible assets

Computer software

Software licences are capitalised based on the cost of purchase and bringing software into a working condition for its intended use. The cost is amortised over the useful life of an asset.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Intangible assets (continued)

Internally generated intangible assets – research and development expenditure (continued)

- the intention to complete the intangible asset and use or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

e) Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequently accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes or purposes not yet defined are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, which is provided on the same basis as for other properties, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Installations and equipment are recognised initially at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and recognised in profit or loss.

Property, plant and equipment are depreciated using the straight-line method at the rates ranging from 1.25% to 25 % annually, over the following useful lives:

	2012	2011
Buildings	20-80 years	20-80 years
Vehicles	4-20 years	4-20 years
Plant and equipment	4-10 years	4-10 years
Office equipment	4-5 years	4-5 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

Assets under construction comprise costs directly related to construction of tangible fixed assets plus an appropriate allocation of variable and fixed overheads that are incurred during construction. Assets under construction are depreciated once they are ready for use. Costs incurred in replacing major portions of the Company's facilities, which increase their productive capacity or substantially extend their useful life, are capitalised. Maintenance, replacement or partial replacement costs are recognised as expenses in the period in which they are incurred.

Impairment of tangible and intangible assets

At each reporting date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is land or a building other than an investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Investment property

Investment property represents property (land) held by the Company for increasing its market value. Investment property is measured initially at cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties are derecognised on sale or permanent withdrawal from use, as well as when no future economic benefits from their disposal are expected. Any gain or loss arising from derecognition of an item of investment property, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the item is derecognised.

g) Non-current financial assets

The Company classifies its financial assets into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'loans and receivables', 'held-to-maturity investments' and 'financial assets available for sale'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Non-current financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when a financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative not designated or effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Non-current financial assets (continued)

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturities dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial assets available for sale

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but are classified as financial assets available for sale and carried at fair value because the management considers that their fair value can be determined reliably. Gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated in equity within investment revaluation reserve, except for impairment losses, interest determined using the effective interest rate and exchange differences on monetary assets which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

Loans and receivables

Trade, loan and other receivables with fixed or determinable payments that are not quoted on an active market are classified as loans and receivables and measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. Exchange differences arisen on translation and recognised in profit or loss are determined on the basis of the amortised cost of the monetary asset. Other exchange differences are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Non-current financial assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss reported in the statement of comprehensive income, are assessed for indications of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial restructuring.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Non-current financial assets (continued)

With the exception of AFS equity instruments carried at fair value through the statement of comprehensive income, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities at fair value through the statement of comprehensive income, impairment losses previously recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

h) Cash and cash equivalents

Cash comprises cash on hand and with banks. Cash equivalents comprise demand deposits and term deposits with maturities of up to three months.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Trade receivables and prepayments

Trade receivables and prepayments are shown at amounts invoiced in accordance with the underlying agreement, order, delivery note and other documents serving as the billing basis, net of allowance for uncollectible amounts.

The management provides for bad and doubtful receivables past due beyond one year, and on the basis of the overall ageing structure of all receivables, as well as by reviewing individual significant amounts receivable.

j) Inventories

Inventories comprise mainly spare parts, materials, work in progress and finished products and are carried at the lower of weighted average price, net of allowance for obsolete and excessive inventories, and net realisable value. Management provides for inventories based on a review of the overall ageing of all inventories and a specific review of significant individual items included in inventories. Inventories of work in progress and finished products are carried at the lower of production cost and the net selling price.

k) Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income, except for differences arising on the retranslation of non-monetary items available for sale in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

l) Retirement and long-service benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actual gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over certain period until the benefits become vested

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Retirement and long-service benefits (continued)

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as of the reporting date, adjusted by actuarial gains and unrecognised past service cost.

The Company provides one-off long-service benefits (jubilee awards) and retirement benefits to its employees. The obligation and the cost of these benefits are determined using the Projected Unit Credit Method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The retirement benefit obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

m) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Income tax (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the period

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where it arises from the initial accounting of a business combination.

Value-added tax (VAT)

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the balance sheet on a net basis. If a trade debtor is impaired, the related impairment loss is included in the gross amount of the debtor, which includes VAT.

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Provisions (continued)

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. .

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in net profit or loss for the period in which they are incurred.

Short-term borrowings and supplier credits are recognised at the original amount less balances repaid. Interest expense is charged to the statement of comprehensive income for the period to which the interest relates.

p) Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Financial liabilities and equity instruments issued by the Company (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Obligations under financial guarantee contracts

Financial guarantee contract obligations are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial liabilities and equity instruments issued by the Company (continued)

Financial liabilities at fair value through profit or loss (FVTPL) (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates interest paid on the financial liability. The fair value is determined as described in Note 44 - Financial instruments.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Operating segment reporting

In accordance with IFRS 8, the Company identified its operating segments on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Details of individual operating segments are disclosed in Note 5 to the financial statements.

The Company monitors and presents specifically the results of its major business segments. The business segments are the basis upon which the Company reports its primary segment information. Certain financial information, analysed by business and geographical segments, are presented in Note 5.

r) Contingent liabilities

Contingent liabilities have not been recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. No contingent assets have been recognised in these financial statements. They are disclosed in the notes when the inflow of economic benefits becomes probable.

s) Events after the reporting period

Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

t) Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with a transaction will flow into the Company and when the amount of the revenue can be measured reliably. Sales are recognised net of sales taxes and discounts. Revenue from rendering services is recognised by reference to the days worked. Invoices are issued on the basis of authenticated documentary evidence of the ordering party of actual services performed by the last day in a month.

Revenue description:

- Water supply service income comprises income from connections, water meter installation, as well as from permanent monthly fees, increased by actual consumption based on the assessed consumption level, as adjusted at the end of the reporting period to reflect the actual consumption based on the readings;
- Public transport service revenue comprises income from the sale of tickets as per the public transport price list for the City of Zagreb;
- Revenue from waste removal and cleaning contain income from the provided waste removal and cleaning services at rates determined in the applicable pricelist of the City of Zagreb;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Revenue recognition (continued)

- Public road management and maintenance revenue is recognised to the extent of the services and works delivered, in accordance with the underlying contracts with customers;
- Income from the sale of flats is recognised when the significant risks and rewards of the ownership are passed onto the buyer, together with the related costs of selling (constructing) the flats;
- Warehousing and operating lease income is recognised in accordance with IAS 17 on a straight-line basis over the relevant lease term.

i. Product and merchandise sales are recognised when the delivery is made and accepted by the customer and when the collectability of the receivables is virtually certain. Revenue from the sale of goods is recognised when all the following conditions are satisfied:

   - the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
   - the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
   - the amount of the revenue can be measured reliably;
   - it is probable that the economic benefits associated with the transaction will flow to the entity; and
   - the costs incurred or to be incurred on those transactions can be measured reliably.

ii. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The stage of completion of the contract is determined as follows:

- fees for the laying of installations are recognised by reference to the stage of completion of installations, which is determined as a period from the end of the reporting period relative to the total expected period of installation completion.
- servicing fees included in the cost of goods sold are recognised by based on the share of the total servicing cost of a product sold by reference to the number of services performed of products sold in prior periods and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Revenue recognition (continued)

iii. Income from government grants comprises the following:

- grants related to assets, including non-monetary grants at fair value, which are presented in the statement of financial position as deferred income, and are recognised as revenue over the period necessary to match them with the related costs (depreciation);
- grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, which are recognised as income of the period in which it becomes receivable.

A government grant is not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to it, and that the grant will be received.

The benefit of a government grant approved at an interest rate below the market rate is accounted for as a government grant and disclosed as the difference between the funds received and the fair value of the loan on the basis of the prevailing market interest rates.

Grants whose primary condition is that the Company should purchase, construct or otherwise acquire long-term assets are recognised in the statement of financial position as deferred income and transferred to profit or loss on a systematic and rational basis over the useful life of the asset.

Other government subsidies are recognised systematically as revenue through the number of periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

iv. Interest income is recognised on a time basis so as to capture the actual yield on an asset.

v. Dividend income is recognised when the right to receive payment has been established.

u) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Leases (continued)

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight- line basis over the lease term.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are expensed in the period in which they arise.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals are expensed in the period in which they arise.

Incentives received to enter into operating leases are recognised as liabilities. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

v) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Derivative financial instruments (continued)

Embedded derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

w) Comparatives

Where necessary, comparative information has been reclassified to conform to the current year's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Use of estimates in the preparation of unconsolidated financial statements

Critical judgements in applying accounting policies

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Useful life of property, plant and equipment

The determination of the useful life of the assets is based on past experience involving similar assets, as well as on forecast changes in the economic environment and industry-specific factors. The useful life is reviewed annually or whenever there are indications of significant changes in the underlying assumptions. We believe this accounting estimate is significant considering the considerable share of depreciable assets in the total assets. Therefore, any change in the underlying assumptions could be material for the Company's financial position and the results of its operations.

Impairment of non-current assets

Impairment is recognised in the financial statements of the Company whenever the net carrying amount of an asset or a cash-generating unit exceeds the higher of the assets i.e. cash-generating unit's recoverable amount or fair value less costs to sell. Fair value less costs to sell is determined on the basis of observable inputs from identical selling transactions under normal market conditions involving similar assets or observable market prices less additional costs of disposal.

Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are discount rates, time values, the period of cash flow projections, as well as assumptions and judgements used in determining cash receipts and payments.

Availability of taxable profits against which the deferred tax assets could be recognised

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. In 2012, deferred tax assets on available tax differences were recognised. The carrying amount of deferred tax assets is disclosed in Note 16.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Use of estimates in the preparation of unconsolidated financial statements (continued)

Actuarial estimates used in determining employee benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates. At 31 December 2012 provisions for employee benefits amounted to HRK 280,615 thousand (at 31 December 2011 the total provisions amounted to HRK 250,829 thousand) (see Note 31).

Consequences of certain legal actions

The Company is involved in legal actions which have arisen from the regular course of its operations. The management makes estimates when the probable outcome of a legal action has been assessed, and the provisions are recognised on a consistent basis (see Note 31).

4. PRIOR YEAR RESTATEMENTS – RESTATEMENTS TO THE 2010 AND 2011 FINANCIAL STATEMENTS

During 2012, the Company identified the following changes in accounting policies and corrections regarding prior periods where management believes that such corrections result in a more appropriate accounting presentation. The changes of accounting policies and corrections were made retrospectively to the unconsolidated financial statements for the years 2010 and 2011. The resulting effects are set out in the tables below. Considering the restatements made to prior periods, the Company reported the balances for the earliest period presented i.e. as of 1 January 2011, as required by International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Investment properties - IAS 40

In 2012, the Entity corrected accounting error related to investment property, as a portion of properties previously measured in accordance with IAS 16 "Property, Plant and Equipment" became measured accounted for using another Standard - IAS 40 "Investment Property". According to the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the change should be applied retrospectively to prior periods (2010 and 2011) if applicable. In 2012 all properties falling within the scope of IAS 40 were measured at fair value as appraised by a certified valuation expert. To meet the IAS 8 requirements, the certified valuation expert appraised the properties at the following three dates: at 31 December 2012, and retrospectively at 31 December 2011 and 31 December 2010. As required by IAS 8, all the components for each period presented should be restated as if the IAS 40 had always been applied, as presented in the statements of the financial position and of comprehensive income for the years 2010 and 2011.

Provisions for employee benefits (solidarity support) - IAS 19

In 2012 provisions were recognised for solidarity support specified under the Union Agreement (in case of death of the employee, a member of his/her close family, purchases of medical aids, childbirth, sick leave beyond 90 days, etc.). The change was made retrospectively. The impact of the change in the accounting policy on the statements of financial position and the statements of comprehensive income for the years 2010 and 2011 is presented in this note.

Restatement of financial expenses and other restatements

Other restatements comprise mainly corrections of cut-off errors identified in revenue and expenses initially recognised in the periods in which they arose rather than to which they relate. The impact of the restatements is disclosed in this note.

The effects of the corrections on the operating results for the years 2010 and 2011 are presented in the table below:

	As initially reported result	Result, after restatements	Effect of the restatements
	(in HRK'000)	(in HRK'000)	(in HRK'000)
2010 loss	**(489,923)**	**(50,315)**	**439,608**
2011 loss	**(352,065)**	**(485,622)**	**(133,557)**

4. PRIOR YEAR RESTATEMENTS – RESTATEMENTS TO THE 2010 AND 2011 FINANCIAL STATEMENTS (CONTINUED)

a) Restated prior-period disclosures - 2010 Statement of comprehensive income

(in HRK'000)	2010 as reported in prior statement	Investment property - IAS 40	Provisions under IAS 19	Financial expenses	Other	2010 after restatements
OPERATING INCOME						
Sales	2,603,479	-	-	-	-	2,603,479
Other operating income	1,102,170	485,909	354	-	140	1,588,573
Total	**3,705,649**	**485,909**	**354**	**-**	**140**	**4,192,052**
OPERATING EXPENSES						
Material expenses	1,329,842	-	-	-	246	1,330,088
Staff costs	1,785,829	-	-	-	-	1,785,829
Depreciation	496,672	(12,166)	-	-	736	485,242
Other expenses	27,489	-	-	-	-	27,489
Impairment allowance	95,214	55,368	-	-	-	150,582
Provisions	54,661	-	72	-	-	54,733
Other operating expenses	40,098	-	-	-	-	40,098
Total	**3,829,805**	**43,202**	**72**	**-**	**982**	**3,874,061**
FINANCIAL INCOME	**115,755**	**-**	**-**	**-**	**-**	**115,755**
FINANCIAL EXPENSES	**478,477**	**-**	**-**	**2,482**	**-**	**480,959**
TOTAL INCOME	**3,821,404**	**485,909**	**354**	**-**	**140**	**4,307,807**
TOTAL EXPENSES	**4,308,282**	**43,202**	**72**	**2,482**	**982**	**4,355,020**
PROFIT / (LOSS) BEFORE TAXATION	**(486,878)**	**442,707**	**282**	**(2,482)**	**(842)**	**(47,213)**
TAX INCOME / (EXPENSE)	**(3,045)**	-	**(57)**	-		**(3,102)**
PROFIT / (LOSS) FOR THE YEAR	**(489,923)**	**442,707**	**225**	**(2,482)**	**(842)**	**(50,315)**

4. PRIOR YEAR RESTATEMENTS – RESTATEMENTS TO THE 2010 AND 2011 FINANCIAL STATEMENTS (CONTINUED)

b) Restated prior-period disclosures - 2011 Statement of comprehensive income

(in HRK'000)	2011 as reported in prior statement	Investment property - IAS 40	Provisions under IAS 19	Financial expenses	Other	2011 after restatements
OPERATING INCOME						
Sales	2,537,358	-	-	-	-	2,537,358
Other operating income	1,176,662	(60,177)	669	-	-	1,117,154
Total	**3,714,020**	**(60,177)**	**669**	**-**	**-**	**3,654,512**
OPERATING EXPENSES						
Material expenses	1,216,228	-	-	-	-	1,216,228
Staff costs	1,685,034	-	-	-	-	1,685,034
Depreciation	492,039	(19,052)	-	-	883	473,870
Other expenses	25,638	-	-	-	-	25,638
Impairment allowance	157,581	81,609	-	-	-	239,190
Provisions	52,494	-	108	-	-	52,602
Other operating expenses	54,163	-	-	-	3	54,166
Total	**3,683,177**	**62,557**	**108**	**-**	**886**	**3,746,728**
FINANCIAL INCOME	**112,734**	**-**	**-**	**-**	**-**	**112,734**
FINANCIAL EXPENSES	**498,310**	**-**	**-**	**10,386**	**-**	**508,696**
TOTAL INCOME	**3,826,754**	**(60,177)**	**669**	**-**	**-**	**3,767,246**
TOTAL EXPENSES	**4,181,487**	**62,557**	**108**	**10,386**	**886**	**4,255,424**
PROFIT / (LOSS) BEFORE TAXATION	**(354,733)**	**(122,734)**	**561**	**(10,386)**	**(886)**	**(488,178)**
TAX INCOME / (EXPENSE)	**2,668**		**(112)**			**2,556**
PROFIT / (LOSS) FOR THE YEAR	**(352,065)**	**(122,734)**	**449**	**(10,386)**	**(886)**	**(485,622)**
Other comprehensive income, net	**813,133**	**(111,162)**	-	-	-	**701,971**
Gains on revaluation of property, net of tax	**813,133**	**(111,162)**	-	-	-	**701,971**
Total comprehensive income / (loss) for the year	**461,068**	**(233,896)**	**449**	**(10,386)**	**(886)**	**216,349**

4. PRIOR YEAR RESTATEMENTS – RESTATEMENTS TO THE 2010 AND 2011 FINANCIAL STATEMENTS (continued)

c) Restated prior-period disclosures – Statement of financial position at 31/12/2010

(in HRK'000)	2010 as reported in prior statement	Investment property - IAS 40	Provisions under IAS 19	Financial expenses	Other	2010 after restatements
NON-CURRENT ASSETS						
Property, plant and equipment	14,874,109	(1,546,946)	-	-	(736)	13,326,427
Intangible assets	15,944	-	-	-	-	15,944
Investment property	274,706	1,989,652	-	-	-	2,264,358
Investments in subsidiaries	991,796	-	-	-	-	991,796
Non-current receivables	2,014,743	-	-	-	-	2,014,743
Other financial assets	113,601	-	-	-	-	113,601
Deferred tax assets	53,298	-	6,709	-	-	60,007
Total non-current assets	**18,338,197**	**442,706**	**6,709**	-	**(736)**	**18,786,876**
CURRENT ASSETS						
Inventories	808,389	-	-	-	-	808,389
Receivables	1,487,440	-	-	-	-	1,487,440
Financial assets	3,191	-	-	-	-	3,191
Cash with banks and in hand	63,986	-	-	-	-	63,986
Total current assets	**2,363,006**	-	-	-	-	**2,363,006**
TOTAL ASSETS	**20,701,203**	**442,706**	**6,709**	-	**(736)**	**21,149,882**
EQUITY						
Share capital	4,208,629	-	-	-	-	4,208,629
Revaluation reserve	2,504,662	(424,163)	-	-	-	2,080,499
Other reserves	15,125	-	-	-	-	15,125
Retained earnings / (accumulated losses)	21,105	530,203	(27,062)	-	-	524,246
Profit / (loss) for the year	(489,923)	442,707	225	(2,482)	(842)	(50,315)
Total equity	**6,259,598**	**548,747**	**(26,837)**	**(2,482)**	**(842)**	**6,778,184**
NON-CURRENT LIABILITIES	**6,493,157**	**(106,041)**	-	-	-	**6,387,116**
LONG-TERM PROVISIONS	**347,303**	-	**33,546**	-	-	**380,849**
DEFERRED INCOME	**4,871,303**	-	-	-	-	**4,871,303**
CURRENT LIABILITIES	**2,729,842**	-	-	**2,482**	**106**	**2,732,430**
TOTAL EQUITY AND LIABILITIES	**20,701,203**	**442,706**	**6,709**	-	**(736)**	**21,149,882**

4. PRIOR YEAR RESTATEMENTS – RESTATEMENTS TO THE 2010 AND 2011 FINANCIAL STATEMENTS (continued)

d) Restated prior-period disclosures – Statement of financial position at 31/12/2011

(in HRK'000)	2011 as reported in prior statement	Restatements for 2010	Investment property - IAS 40	Provisions under IAS 19	Financial expenses	Other	2011 after restatements
NON-CURRENT ASSETS							
Property, plant and equipment	15,640,644	(1,547,682)	(119,899)	-	-	(887)	13,972,176
Intangible assets	17,627	-	-	-	-	-	17,627
Investment property	975,818	1,989,652	(141,787)	-	-	-	2,823,683
Investments in subsidiaries/related companies?	336,542	-	-	-	-	-	336,542
Non-current receivables	1,899,577	-	-	-	(6,276)	-	1,893,301
Other financial assets	114,928	-	-	-	-	-	114,928
Deferred tax assets	56,269	6,709	-	(112)	-	-	62,866
Total non-current assets	**19,041,405**	**448,679**	**(261,686)**	**(112)**	**(6,276)**	**(887)**	**19,221,123**
CURRENT ASSETS							
Inventories	812,263	-	-	-	-	-	812,263
Receivables	1,313,080	-	-	-	-	-	1,313,080
Financial assets	4,714	-	-	-	-	-	4,714
Cash with banks and in hand	89,793	-	-	-	-	-	89,793
Total current assets	**2,219,850**	**-**	**-**	**-**	**-**	**-**	**2,219,850**
TOTAL ASSETS	**21,261,255**	**448,679**	**(261,686)**	**(112)**	**(6,276)**	**(887)**	**21,440,973**
EQUITY							
Share capital	4,208,629	-	-	-	-	-	4,208,629
Revaluation reserve	3,317,795	(424,163)	(111,162)	-	-	-	2,782,470
Other reserves	97,300	-	-	-	-	-	97,300
Retained earnings / (accumulated losses)	(473,510)	942,748	-	-	-	-	469,238
Profit / (loss) for the year	(352,065)	-	(122,733)	449	(10,386)	(887)	(485,622)
Total equity	**6,798,149**	**518,585**	**(233,895)**	**449**	**(10,386)**	**(887)**	**7,072,015**
NON-CURRENT LIABILITIES	**6,460,485**	(106,041)	(27,791)	-	-	-	**6,326,653**
LONG-TERM PROVISIONS	**305,745**	33,547	-	(561)	-	-	**338,731**
DEFERRED INCOME	**4,637,317**	-	-	-	-	-	**4,637,317**
CURRENT LIABILITIES	**3,059,559**	2,588	-	-	**4,110**	-	**3,066,257**
TOTAL EQUITY AND LIABILITIES	**21,261,255**	**448,679**	**(261,686)**	**(112)**	**(6,276)**	**(887)**	**21,440,973**

5. SEGMENT INFORMATION

SALES

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Croatian market	2,670,813	2,534,157
EU market	3,084	3,201
	2,673,897	**2,537,358**

In accordance with IFRS 8, the Company identified its operating segments on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Company identified its operating segments on the basis of reports regularly reviewed by the Management and used by it in making strategic decisions. Operating segments have been formed by the nature of the business of the branches managed by the Company (see Note 1), identifying nine activities as operating segments, whereas the tenth segment includes all other activities of the Group.

Upon the adoption of IFRS 8, the manner of identifying reporting segments remained unchanged because they were monitored in the same way even prior to those changes.

The operating segments comprise the following:

1. Water distribution
2. Passenger transport
3. Cleaning and waste removal
4. Public road management and maintenance
5. Parking services
6. Warehousing and rentals
7. Waste disposal and management
8. Facility management
9. Flat construction and sale
10. Other activities

5. SEGMENT INFORMATION (CONTINUED)

SALES (continued)

Set out below is a breakdown of revenue and results of the Company by its reporting segments presented in accordance with IFRS 8. The presented sales comprise sales to third parties.

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Water distribution revenue	467,699	432,004
Passenger transport	443,906	319,066
Cleaning and waste removal	415,709	416,227
Public road maintenance and management	290,287	266,442
Facility management	189,488	183,251
Flat construction and sale	124,117	142,566
Parking services	123,831	136,859
Warehousing and rentals	102,967	112,342
Waste disposal and management	10,043	16,359
Other income	505,850	512,242
	2,673,897	**2,537,358**

Other revenue comprises the following:

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Landscaping and plant growing	164,867	160,440
Markets revenue	81,327	84,892
Sports facility management and maintenance	73,316	69,098
Funeral services	61,781	65,348
Trade fairs and congresses	44,023	51,617
Bus station	38,182	38,141
Travel agencies	23,633	24,239
Lease of telecom cable and network systems	10,547	9,368
Publishing	8,174	9,099
	505,850	**512,242**

5. SEGMENT INFORMATION (CONTINUED)

2012 segment revenue and results

2012 (in HRK'000)	Facility mgmt.	Water distribution	Passenger transport	Cleaning and waste removal	Public road mgmt. and maintenance	Flat constru-ction and sale	Parking services	Warehous-ing and rentals	Waste collection and removal	Other	Eliminated	Total
Revenue from third parties	189,488	467,699	443,906	415,709	290,287	124,117	123,831	102,967	10,043	505,850	-	2,673,897
Inter-segment sales	199,363	9,954	3,680	16,151	25,498	41	7,411	2,990	106,219	9,223	(380,530)	-
Total sales	**388,851**	**477,653**	**447,586**	**431,860**	**315,785**	**124,158**	**131,242**	**105,957**	**116,262**	**515,073**	**(380,530)**	**2,673,897**
Expenses from other operations, net of other ordinary income	**(299,514)**	**(448,664)**	**(652,950)**	**(422,459)**	**(291,504)**	**(72,096)**	**(102,449)**	**(118,924)**	**(70,134)**	**(598,750)**	**380,530**	**(2,696,914)**
Result												
Profit / (loss) from operating activities	89,337	28,989	(205,364)	9,401	24,281	52,062	28,793	(12,967)	46,128	(83,677)	-	(23,017)
Finance revenue	26,096	12,916	4,729	7,315	235	6,517	1,555	1,269	73	8,974	-	69,679
Financial expenses	(237,564)	(15,812)	(80,733)	(2,944)	(2,972)	(57,707)	(3,493)	(809)	(328)	(2,014)	-	(404,376)
Net financial result	(211,468)	(2,896)	(76,004)	4,371	(2,737)	(51,190)	(1,938)	460	(255)	6,960	-	(334,697)
Profit / (loss) before taxation	(122,131)	26,093	(281,368)	13,772	21,544	872	26,855	(12,507)	45,873	(76,717)	-	(357,714)
Tax income / (expense)	(1,295)	-	-	-	-	-	-	-	-	-	-	(1,295)
Net profit / (loss)	**(123,426)**	**26,093**	**(281,368)**	**13,772**	**21,544**	**872**	**26,855**	**(12,507)**	**45,873**	**(76,717)**	**-**	**(359,009)**

5. SEGMENT INFORMATION (CONTINUED)

2011 segment revenue and results

2011 (in HRK'000)	Facility mgmt.	Water distribution	Passenger transport	Cleaning and waste removal	Public road mgmt. and maintenance	Flat constru-ction and sale	Parking services	Warehous-ing and rentals	Waste collection and removal	Other	Eliminated	Total
Revenue from third parties	183,251	432,004	319,066	416,227	266,442	142,566	136,859	112,342	16,359	512,242	-	2,537,358
Inter-segmentalna prodaja	186,450	10,605	4,476	12,971	15,733	445	5,212	3,945	107,148	11,666	(358,651)	-
Total sales	**369,701**	**442,609**	**323,542**	**429,198**	**282,175**	**143,011**	**142,071**	**116,287**	**123,507**	**523,908**	**(358,651)**	**2,537,358**
Expenses from other operations, net of other ordinary income	**(308,446)**	**(383,647)**	**(619,943)**	**(411,367)**	**(266,637)**	**(62,581)**	**(129,222)**	**(121,774)**	**(59,655)**	**(624,953)**	**358,651**	**(2,629,574)**
Result												
Profit / (loss) from operating activities	61,255	58,962	(296,401)	17,831	15,538	80,430	12,849	(5,487)	63,852	(101,045)	-	(92,216)
Finance revenue	58,498	13,359	15,253	6,360	1,006	3,541	436	3,682	4,325	6,274	-	112,734
Financial expenses	(309,975)	(28,144)	(106,558)	(1,220)	(2,275)	(51,813)	(4,582)	(1,891)	(157)	(2,081)	-	(508,696)
Net financial result	(251,477)	(14,785)	(91,305)	5,140	(1,269)	(48,272)	(4,146)	1,791	4,168	4,193	-	(395,962)
Profit / (loss) before taxation	(190,222)	44,177	(387,706)	22,971	14,269	32,158	8,703	(3,696)	68,020	(96,852)	-	(488,178)
Tax income / (expense)	2,556	-	-	-	-	-	-	-	-	-	-	2,556
Net profit / (loss)	**(187,666)**	**44,177**	**(387,706)**	**22,971**	**14,269**	**32,158**	**8,703**	**(3,696)**	**68,020**	**(96,852)**	**-**	**(485,622)**

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities at 31 December 2011

Assets and liabilities at 31/12/2012 (in HRK'000)	Facility mgmt.	Water distribution	Passenger transport	Cleaning and waste removal	Public road mgmt. and maintenance	Flat construction and sale	Parking services	Warehousing and rentals	Waste collection and removal	Other	Eliminated	Total
Property, plant and equipment	1,566,947	4,892,797	2,795,120	165,990	113,136	517,405	153,967	370,395	68,569	3,075,135	-	13,719,461
Intangible assets	2,423	19,819	17,172	1,832	77	-	212	524	28	3,665	-	45,752
Investment property	1,477,199	-	-	-	-	-	-	889,206	-	397,981	-	2,764,386
Inventories	8	14,430	46,544	9,690	31,484	623,768	380	1,111	60	38,212	-	765,687
Trade receivables, net	16,275	490,009	29,025	70,546	9,183	999	31,891	11,150	1,006	43,930	-	704,014
Unallocated	4,103,028	82,741	608,559	162,146	262,307	108,223	176,133	4,175	440,727	122,027	(3,195,451)	2,874,615
Total assets	**7,165,880**	**5,499,796**	**3,496,420**	**410,204**	**416,187**	**1,250,395**	**362,583**	**1,276,561**	**510,390**	**3,680,950**	**(3,195,451)**	**20,873,915**
Issued bonds	2,263,687	-	-	-	-	-	-	-	-	-	-	2,263,687
Trade payables	49,348	207,536	328,567	43,275	65,723	8,083	5,246	9,765	12,245	110,750	-	840,538
Amounts due to employees	3,707	10,174	30,696	10,445	4,799	97	3,165	2,401	326	15,547	-	81,357
Equity and unallocated liabilities	4,849,138	5,282,086	3,137,157	356,484	345,665	1,242,215	354,172	1,264,395	497,819	3,554,653	(3,195,451)	17,688,333
Total equity and liabilities	**7,165,880**	**5,499,796**	**3,496,420**	**410,204**	**416,187**	**1,250,395**	**362,583**	**1,276,561**	**510,390**	**3,680,950**	**(3,195,451)**	**20,873,915**
31/12/2012 Other segment information												
Capital expenditure:	**19,354**	**140,391**	**34,574**	**11,968**	**4,327**	**6,592**	**1,053**	**23,491**	**141**	**26,847**	**-**	**268,738**
Property, plant and equipment	17,676	140,391	23,596	11,040	4,327	6,592	1,053	23,489	2	25,271	-	253,437
Intangible assets	1,678	-	10,978	928	-	-	-	2	139	1,576	-	15,301
Depreciation and impairment	**66,704**	**160,719**	**139,379**	**9,903**	**5,896**	**39,813**	**12,228**	**4,557**	**11,817**	**39,932**	**-**	**490,948**

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities at 31 December 2011

Assets and liabilities at 31/12/2011 (in HRK'000)	Facility mgmt.	Water distribution	Passenger transport	Cleaning and waste removal	Public road mgmt. and maintenance	Flat constru-ction and sale	Parking services	Warehous-ing and rentals	Waste collection and removal	Other	Eliminated	Total
Property, plant and equipment	1,615,976	4,935,006	2,909,008	164,340	114,303	528,804	178,996	355,060	78,498	3,092,185	-	13,972,176
Intangible assets	1,284	2,335	8,344	1,554	105	-	408	777	38	2,782	-	17,627
Investment property	1,508,886	-	-	-	-	-	-	908,280	-	406,517	-	2,823,683
Inventories	15	32,132	48,245	9,059	28,625	654,717	650	1,131	60	37,629	-	812,263
Trade receivables, net	17,354	431,178	23,032	75,906	14,693	16,303	34,733	16,564	2,345	44,301	-	676,409
Unallocated	3,863,890	135,432	713,151	102,999	246,932	115,284	106,507	8,767	389,928	142,705	(2,686,780)	3,138,815
Total assets	**7,007,405**	**5,536,083**	**3,701,780**	**353,858**	**404,658**	**1,315,108**	**321,294**	**1,290,579**	**470,869**	**3,726,119**	**(2,686,780)**	**21,440,973**
Issued bonds	2,259,126	-	-	-	-	-	-	-	-	-	-	2,259,126
Trade payables	61,961	212,597	265,271	27,340	90,439	58,955	5,994	16,237	26,089	98,830	-	863,713
Amounts due to employees	3,705	9,635	37,370	10,552	4,789	118	3,253	2,451	346	16,868	-	89,087
Equity and unallocated liabilities	4,682,613	5,313,851	3,399,139	315,966	309,430	1,256,035	312,047	1,271,891	444,434	3,610,421	(2,686,780)	18,229,047
Total equity and liabilities	**7,007,405**	**5,536,083**	**3,701,780**	**353,858**	**404,658**	**1,315,108**	**321,294**	**1,290,579**	**470,869**	**3,726,119**	**(2,686,780)**	**21,440,973**
31/12/2011 Other segment information												
Capital expenditure:	**38,250**	**127,837**	**35,880**	**3,993**	**17,878**	**5,699**	**989**	**21,827**	**8,776**	**21,451**	-	**282,580**
Property, plant and equipment	37,295	127,837	32,488	3,779	17,797	5,699	989	21,827	8,776	19,738	-	276,225
Intangible assets	955	-	3,392	214	81	-	-	-	-	1,713	-	6,355
Depreciation and impairment	**58,338**	**157,933**	**130,104**	**10,255**	**4,657**	**39,413**	**12,359**	**5,506**	**12,577**	**42,727**	-	**473,870**

6. OTHER INCOME

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Grant and subsidy income	744,957	731,786
Reversal of deferred income	164,690	161,637
Recovery of amounts previously written off	54,066	35,369
Income from reversal of provisions	53,798	84,281
Damages collected	16,985	50,517
Income from sale of non-current assets, surpluses and upon assessment	6,203	5,914
Other operating income	63,994	47,650
	1,104,693	**1,117,154**

Income from grants and subsidies represents principally the revenue from the City of Zagreb, comprising the following:

- financial support from the City Budget for purposes approved by the Assembly
- financial support for the repayment of loans (principal, interest, fees).

	2012			2011		
						As restated
	City of Zagreb	Others	**Total**	City of Zagreb	Others	**Total**
	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)
ZET	628,042	18,310	**646,352**	593,916	18,822	**612,738**
Others	96,802	1,803	**98,605**	117,166	1,882	**119,048**
	724,844	**20,113**	**744,957**	**711,082**	**20,704**	**731,786**

Income from reversal of deferred income is recognised in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance over the period of utilisation and is systematically matched against the related costs (depreciation) - see Note 3(t).

6. OTHER INCOME (CONTINUED)

Income from reversal of provisions relates mainly to the following:

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
a) Accrued vacation and other benefits	34,885	25,489
b) Litigation provisions, as per the attorney's assessment	11,470	21,421
c) Employee benefit provisions	7,443	33,639
d) Future "Jakuševec" landfill maintenance costs	-	3,732
	53,798	**84,281**

Income from collection of damages, liquidated damages and other income comprises principally the following:

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Collected damages and liquidated damages	13,126	20,794
Reversal of excess of accrued expenses for the Sopnica Project following the final calculations provided by the contractor	1,646	27,061
Other income (write-off of debt, approved discounts and similar)	2,213	2,662
	16,985	**50,517**

Income from damages and liquidated damages collected mainly relate to Stanogradnja Branch (HRK 5.8 million) which charged liquidated damages and fault removal penalties charged to the contractors performing the works on the Sopnica Project in accordance with the underlying construction contracts.

7. COST OF MATERIALS AND SERVICES

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Energy costs	295,901	286,259
Cost of raw material and supplies	241,248	223,074
Expensed small items	17,666	18,588
a) Total material costs	*554,815*	*527,921*
b) Changes in the value of inventories of work in progress and finished products	*10,254*	*28,382*
c) Cost of goods sold	*6,932*	*6,413*
Rental and lease costs	189,211	194,799
Maintenance	129,175	124,816
Communal utility fees and charges	109,794	103,534
Subcontractor service costs	54,142	47,311
Transportation costs	35,412	32,171
Data processing and software maintenance services	32,015	28,836
Insurance premiums	30,201	30,421
Professional services	26,896	25,313
Bank and payment operation charges	7,694	11,493
Advertising and promotion	5,994	6,532
Other external services	56,923	48,286
d) Total external services	*677,457*	*653,512*
	1,249,458	**1,216,228**

Material and service costs are closely related to the principal activities of the branches and increased during 2012 by around HRK 33 million compared to 2011 because of a general increase in the volume of activities and the related sales.

8. STAFF COSTS

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Net wages and salaries	926,280	930,878
Taxes and contributions	623,795	635,208
Reimbursement of costs to employees and other employee benefits	151,318	118,948
	1,701,393	**1,685,034**
Number of staff at 31 December	**11,620**	**11,779**

The total staff costs for the year 2012 increased by around HRK 16 million (on a net basis), with the payroll costs decreasing by approximately 16 million and employee benefits increasing by around HRK 32 million. The average number of staff, based on the actual hours worked in 2012, amounts to HRK 11,609 thousand.

The increase in the employee benefits resulted from the increase in the public transport prices from 1 March 2012 (HRK 10.7 million), in retirement benefits paid (HRK 16.6 million) and in long-service benefits and other costs (HRK 4.8 million).

Costs reimbursed to employees and other employee benefits comprise benefits regulated by the Collective Agreement, such as commutation allowance to the extent of the public transport costs, gifts and bonuses (long-service benefits, Christmas and Easter allowances, vacation allowance, and similar), education and advanced training costs and similar.

9. DEPRECIATION AND AMORTISATION

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Depreciation (Note 18)	481,960	468,921
Amortisation (Note 17)	8,986	4,943
VAT on depreciation of personal cars	2	6
	490,948	**473,870**

10. OTHER EXPENSES

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Administrative fees and court costs	14,295	11,852
Taxes and contributions independent of operating results	5,268	5,768
Membership fees to professional organisations (Croatian Chamber of Commerce, Tourist Board and others)	5,491	3,383
Entertainment	1,859	1,475
Professional literature	1,090	1,036
Fees to Supervisory Board members	751	821
Cultural monument fees and environmental protection costs	721	886
Other expenses	821	417
	30,296	**25,638**

11. IMPAIRMENT ALLOWANCE ON CURRENT AND NON-CURRENT ASSETS

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Impairment allowance on current assets	114,007	116,854
Impairment allowance on non-current assets	64,904	122,336
	178,911	**239,190**

Included in the impairment allowance on non-current assets are unrealised losses arisen on changes in the fair value of investment property in the amount of HRK 59,297 thousand (2011.: unrealised loss in the amount of HRK 118,777 thousand).

12. PROVISIONS

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Provisions for long-service benefits under IAS 19	37,127	9,670
Litigation provisions	33,058	9,586
Provisions for unused vacation days	20,302	33,346
Provisions for the restoration of natural resources	10,735	-
	101,222	**52,602**

13. OTHER OPERATING EXPENSES

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Fines, penalties, damages	27,007	21,281
Written-off receivables	5,904	19,029
Grants, donations and sponsorships	2,556	1,932
Net book value of assets sold or otherwise disposed of	1,090	1,721
Other operating expenses	12,822	10,203
	49,379	**54,166**

Damages relate principally to ZGOS Branch in respect of environmental protection fee payable at a rate of HRK 50 per ton of disposed municipal waste on the Jakuševac Landfill.

The balance of written-off receivables for the year 2012 relates mainly to Čistoća Branch (2011: Zagrebparking Branch) which were estimated as irrecoverable.

Other operating expenses comprise deficits, cost of inventories sold, subsequently identified costs and expenses not specified above.

14. FINANCIAL INCOME

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Financial income - unrelated entities	45,878	98,308
Financial income - related entities	15,865	12,880
Other financial income	7,936	1,546
	69,679	**112,734**

Financial income comprises the following:

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Interest income	31,317	36,498
Dividend income - related companies	15,250	12,478
Foreign exchange gains	15,177	62,201
Other financial income	7,935	1,557
	69,679	**112,734**

Dividend income from related companies comprises the shares in the 2011 profits of the following companies:

- HRK 12,167 thousand from Gradska plinara Zagreb d.o.o. (50% of the 2011 profits, based on the Assembly Decision)
- HRK 3,083 thousand from Gradska plinara Opskrba d.o.o. (50% of the 2011 profits, based on the Assembly Decision).

The net exchange loss for 2012 amounts to HRK 4.6 million (2011: net exchange loss of HRK 81.3 million).

Other financial income comprises mainly income from discounting of receivables and payables and other financial income.

15. FINANCIAL EXPENSES

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Financial expenses - unrelated entities	400,022	504,886
Financial expenses - related entities	2,801	1,982
Other financial expenses	1,553	1,828
	404,376	**508,696**

Financial expenses from transactions with unrelated entities comprise the following:

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Interest	323,631	301,341
Interest on leases	54,712	60,019
Foreign exchange losses	19,807	143,523
Other	1,872	3
	400,022	**504,886**

In 2012 *Financial expenses* decreased compared to 2011 because of the lower balance of foreign exchange losses, as the exchange rate of the Euro against the Croatian kuna was higher in 2011 than in 2012.

Other financial expenses comprise mainly the expense with respect to the discount of receivables.

16. INCOME TAX

The Company is subject to taxation in accordance with the tax laws and regulations of the Republic of Croatia. Corporate income tax is determined by applying the rate of 20% to the taxable income.

Tax expense recognised in profit or loss

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Income tax expense comprises the following:		
Deferred tax expense on the origination and reversal of temporary differences	1,295	(2,556)
Tax expense / (income)	**1,295**	**(2,556)**

The relationship between the accounting profit and tax credit / (expense) for the year:

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Loss before taxation	(357,714)	(488,178)
Income tax at the rate of 20% (2011: 20%)	(71,543)	(97,636)
Effect of permanent differences, net	163,986	19,217
Effect of unrecognised and unused tax losses brought forward	(98,770)	77,054
Effect of temporary differences recognised as deferred tax assets	7,622	(1,191)
Tax expense / (income) recognised in profit or loss	**1,295**	**(2,556)**

Unused tax losses:

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Balance at beginning of the year	**(774,657)**	**(522,834)**
Increase during the year	-	(251,823)
Decrease during the year	493,850	-
Balance at end of year	**(280,807)**	**(774,657)**

Tax losses available for carry forward that originate from 2009 expire in 2014, and those incurred in 2010 expire in 2015.

16. INCOME TAX (CONTINUED)

Deferred tax assets and liabilities

2012	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Closing balance
	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)
Temporary differences:					
Provisions	50,166	5,957	-	-	56,123
Financial assets at fair value	1,118	(598)	-	-	520
Value adjustment of land	7,479	(7,434)	-	-	45
Revaluation of land	669,665	-	(41)	-	669,624
Property, plant and equipment	437	-	-	(101)	336
Unused tax losses and tax credits				-	-
Tax losses	303	-	-	-	303
Tax credits	3,800	780	-	-	4,580
Deferred tax assets	62,866	(1,295)	-	-	61,571
Deferred tax liabilities	670,102	-	(41)	(101)	669,960

16. INCOME TAX (CONTINUED)

Deferred tax assets and liabilities (continued)

2011, as restated	**Opening balance**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Recognised directly in equity**	**Mergers / (disposals)**	**Closing balance**
	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)
Temporary differences:						
Provisions	**56,267**	(6,101)	-	-	-	**50,166**
Financial assets at fair value	**1,242**	(124)	-	-	-	**1,118**
Value adjustment of land	-	7,479	-	-	-	**7,479**
Revaluation of land	**494,173**	-	175,492	-	-	**669,665**
Property, plant and equipment	**575**	-	-	(138)	-	**437**
Unused tax losses and tax credits						
Tax losses	-	-	-	-	303	**303**
Tax credits	**2,498**	1,302	-	-	-	**3,800**
Deferred tax assets	**60,007**	**2,556**	-	-	**303**	**62,866**
Deferred tax liabilities	**494,748**	-	**175,492**	**(138)**	-	**670,102**

17. INTANGIBLE ASSETS

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Cost	178,223	142,386	136,297
Accumulated amortisation and impairment	(132,471)	(124,759)	(120,353)
	45,752	**17,627**	**15,944**

The structure of intangible assets is as follows:

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Patents, concessions and similar rights	20,228	9,501	6,884
Development expenses	17,859	381	1,220
Other intangible assets	5,403	4,383	3,831
Intangible assets under development	2,262	3,362	4,009
	45,752	**17,627**	**15,944**

17. INTANGIBLE ASSETS (CONTINUED)

(in HRK'000)	Development expenses	Patents, licences and other rights	Other intangible assets	Intangible assets under development	Total intangible assets
COST					
Balance at 01/01/2011, as restated	**40,043**	**47,299**	**44,946**	**4,009**	**136,297**
Additions	-	312	1,403	4,640	**6,355**
Transfer from assets under development	-	5,480	392	(5,041)	**831**
Transferred (from) / to	-	124	-	(124)	**-**
Disposals and retirements	-	(594)	(381)	(122)	**(1,097)**
Balance at 31/12/2011, as restated	**40,043**	**52,621**	**46,360**	**3,362**	**142,386**
Additions	-	933	2,390	11,978	**15,301**
Transfer from assets under development	20,313	14,575	-	(13,078)	**21,810**
Disposals and retirements	-	(125)	(1,149)	-	**(1,274)**
Balance at 31/12/2012	**60,356**	**68,004**	**47,601**	**2,262**	**178,223**
ACCUMULATED AMORTISATION					
Balance at 01/01/2011, as restated	**38,823**	**40,415**	**41,115**	**-**	**120,353**
Amortisation	410	3,291	1,242	-	**4,943**
Impairment allowance	429	-	-	-	**429**
Disposals and retirements	-	(586)	(380)	-	**(966)**
Balance at 31/12/2011, as restated	**39,662**	**43,120**	**41,977**	**-**	**124,759**
Amortisation	2,835	4,781	1,370	-	**8,986**
Disposals and retirements	-	(125)	(1,149)	-	**(1,274)**
Balance at 31/12/2012	**42,497**	**47,776**	**42,198**	**-**	**132,471**
NET BOOK VALUE					
Balance at 31/12/2012	**17,859**	**20,228**	**5,403**	**2,262**	**45,752**
Balance at 31/12/2011, as restated	**381**	**9,501**	**4,383**	**3,362**	**17,627**
Balance at 1/1/2011, as restated	**1,220**	**6,884**	**3,831**	**4,009**	**15,944**

18. PROPERTY, PLANT AND EQUIPMENT

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Cost or valuation	20,103,391	19,913,503	18,878,802
Accumulated depreciation and impairment	(6,436,627)	(5,998,311)	(5,623,108)
	13,666,764	**13,915,192**	**13,255,694**
Prepayments for tangible assets	**52,697**	**56,984**	**70,733**
Property, plant and equipment, and prepayments	**13,719,461**	**13,972,176**	**13,326,427**

Structure of property, plant and equipment:

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Buildings	6,830,609	7,024,568	7,168,657
Land	4,307,065	4,306,532	3,410,327
Tools and vehicles	1,617,469	1,709,947	1,795,518
Plant and equipment	243,228	216,292	205,577
Tangible assets under construction	618,147	607,600	625,488
Biological assets	28	19	14
Other tangible assets	50,218	50,234	50,113
	13,666,764	**13,915,192**	**13,255,694**

Movements in prepayments:

	31/12/2012	31/12/2011	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Opening balance	**56,984**	**70,733**	**141,761**
Additions	2,026	621	172
Disposals and retirements	(6,313)	(14,370)	(71,200)
Closing balance	**52,697**	**56,984**	**70,733**

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(in HRK'000)	Land	Buildings and housing blocks	Plant and equipment	Vehicles	Tools, office and similar equipment	Biological assets	Other tangible assets	Assets under development	**Total tangible assets**
COST									
Balance at 01/01/2011, as restated	**3,410,327**	**10,908,095**	**908,505**	**2,835,612**	**140,393**	**269**	**50,113**	**625,488**	**18,878,802**
Additions	551	23,063	9,164	15,475	2,811	20	7	225,134	**276,225**
Transferred on mergers	-	-	56	-	17	-	-	-	**73**
Transfer from assets under development	30,481	131,354	55,916	11,785	1,978	-	130	(232,475)	**(831)**
Transferred (from)/to	-	68	1,122	(1,697)	660	-	-	(153)	-
Revaluation	77,464	-	-	-	-	-	-	-	**877,464**
Impairment allowance	-	-	-	-	-	-	-	(1,020)	**(1,020)**
Disposals and retirements	(88)	(5,350)	(18,896)	(66,461)	(5,412)	(30)	(16)	134	**(96,119)**
Reclassified from inventories	(11,978)	-	395	-	-	-	-	(9,508)	**(21,091)**
Balance at 31/12/2011, as restated	**4,306,757**	**11,057,230**	**956,262**	**2,794,714**	**140,447**	**259**	**50,234**	**607,600**	**19,913,503**
Additions	188	8,838	7,938	9,589	1,402	15	-	225,467	**253,437**
Transfer from assets under development	-	90,427	77,047	11,805	851	-	-	(201,940)	**(21,810)**
Transferred (from)/to	634	15,877	210	-	122	-	-	5,208	**22,051**
Impairment allowance	(26)	(694)	(5)	-	(1)	-	-	-	**(726)**
Disposals and retirements	(263)	(2,601)	(15,563)	(24,697)	(2,624)	(22)	(16)	(17,278)	**(63,064)**
Balance at 31/12/2012	**4,307,290**	**11,169,077**	**1,025,889**	**2,791,411**	**140,197**	**252**	**50,218**	**619,057**	**20,103,391**
ACCUMULATED AMORTISATION									
Balance at 01/01/2011, as restated	-	**3,739,438**	**702,928**	**1,074,558**	**105,929**	**255**	-	-	**5,623,108**
Charge for the year	-	298,233	52,646	109,558	8,469	15	-	-	**468,921**
Transferred on mergers	-	-	20	-	-	-	-	-	**20**
Impairment allowance	225	-	395	-	-	-	-	-	**620**
Transferred (from)/to	-	-	1,427	(1,633)	206	-	-	-	-
Disposals and retirements	-	(5,009)	(17,446)	(66,461)	(5,412)	(30)	-	-	**(94,358)**
Balance at 31/12/2011, as restated	**225**	**4,032,662**	**739,970**	**1,116,022**	**109,192**	**240**	-	-	**5,998,311**
Charge for the year	-	307,993	57,955	109,811	6,195	6	-	-	**481,960**
Impairment allowance	-	-	-	-	-	-	-	4,759	**4,759**
Transferred (from)/to	-	(20)	(93)	(13)	126	-	-	-	-
Disposals and retirements	-	(2,167)	(15,171)	(24,691)	(2,503)	(22)	-	(3,849)	**(48,403)**
Balance at 31/12/2012	**225**	**4,338,468**	**782,661**	**1,201,129**	**113,010**	**224**	-	**910**	**6,436,627**
CARRYING AMOUNT									
Balance at 31/12/2012	**4,307,065**	**6,830,609**	**243,228**	**1,590,282**	**27,187**	**28**	**50,218**	**618,147**	**13,666,764**
Balance at 31/12/2011, as restated	**4,306,532**	**7,024,568**	**216,292**	**1,678,692**	**31,255**	**19**	**50,234**	**607,600**	**13,915,192**
Balance at 01/01/2011, as restated	**3,410,327**	**7,168,657**	**205,577**	**1,761,054**	**34,464**	**14**	**50,113**	**625,488**	**13,255,694**

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Title to land and buildings

The registration of the Company's title to land and buildings in appropriate registers, serving as evidence of ownership, is in progress. Since some municipal registries have not been fully updated, the process of registering the properties is longer than for new structures. In addition, the City of Zagreb has surrendered a significant portion of its assets to be managed by the Company. The status of such assets has not been fully defined. A part of those properties has been registered but the status of the remaining properties is still pending.

An overview of the fixed asset (land and buildings) ownership structure is presented below:

Land (at revalued amount)

	31/12/2012	**31/12/2011**	**01/01/2011**
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Registered title	3,324,003	2,923,563	2,575,480
Unregistered, eligible for registration	606,844	1,096,860	522,595
Unregistered, not eligible for registration	376,218	286,109	312,252
	4,307,065	**4,306,532**	**3,410,327**

Buildings (at cost)

	31/12/2012	**31/12/2011**	**01/01/2011**
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Registered title	3,637,676	3,239,807	2,312,913
Unregistered, eligible for registration	1,086,078	1,617,677	1,560,761
Unregistered, not eligible for registration	630,913	436,982	1,362,233
Communal infrastructure facilities	5,814,410	5,762,764	5,672,188
	11,169,077	**11,057,230**	**10,908,095**

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Review of residual values

Following the requirements of to IAS 16 Property, Plant and Equipment that are effective for the current period, the Company reviewed the residual values used for the purposes of depreciation calculation. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods.

Impairment of assets

Under IAS 36, the carrying amount should be compared to the recoverable amount each time when there is an indication of impairment and, if higher, written down to the recoverable amount. The recoverable amount of an asset is greater of (i) net selling price if the asset can be sold and (ii) value in use, which is the net present value of future cash flows based on reasonable and supportable assumptions that represent management's best estimate of the future economic conditions and plans. In the opinion of the Management Board, the stated amount of tangible assets is recoverable from future operations.

Assets pledged as collateral

	31/12/2012	**31/12/2011** As restated	**01/01/2011** As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Real estate	83,530	91,798	98,625
Pledged movable property	53,375	61,000	78,401
	136,905	**152,798**	**177,026**

Capitalised borrowing costs under IAS 23

In 2012, the Company capitalised borrowing costs in the amount of HRK 17,872 thousand (2011: HRK 14,890 thousand). The weighted average capitalisation rate was 5.7 percent.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leases

The Company entered into several lease agreements during 2009 and 2008, which have been accounted for and presented in the unconsolidated financial statements as operating leases. However, the classification of those agreements at the inception is not compliant with the provisions of International Accounting Standard 17 "Leases" (IAS 17), according to which, a lease where the present value of minimum future payments under the lease agreement approximates the fair value of the leased asset is classified as a financial lease, which is more similar to the nature of the leases entered into by the Company.

19. INVESTMENT PROPERTIES

	31/12/2012	31/12/2011 As restated
	(in HRK'000)	(in HRK'000)
At 1 January	**2,823,683**	**2,264,358**
Property Gredelj (merger)	-	678,102
Fair value change	(59,297)	(118,777)
Balance at 31 December	**2,764,386**	**2,823,683**

In 2011 subsidiaries Centrum d.d. and Zagrebačko investicijsko društvo d.o.o. were merged into the Company, resulting in an increase of investment properties and a decrease of investments in subsidiaries (Note 20).

During 2012 investment properties were remeasured at fair value on the basis of appraisals by a certified property appraisal expert, upon which losses resulting from the change in the fair values in the amount of HRK 59,297 thousand were included in the income statement for the year 2012.

20. INVESTMENTS IN SUBSIDIARIES

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Investments in related companies			
Gradska plinara Zagreb d.o.o.	269,725	269,725	269,725
Gradska plinara Zagreb - Opskrba d.o.o.	40,000	40,000	40,000
Zagreb plakat d.o.o.	10	10	10
Gradska ljekarna	26,787	26,787	26,787
Zagreb arena d.o.o.	20	20	20
Zagreb centrum d.d.	-	-	652,254
Zagrebačko investicijsko društvo d.o.o.	-	-	3,000
	336,542	**336,542**	**991.796**

Movements of investments in subsidiaries

	31/12/2012	31/12/2011
		As restated
	(in HRK'000)	(in HRK'000)
Opening balance	**336,542**	**991,796**
Merged to the parent	-	(655,254)
Closing balance	**336,542**	**336,542**

20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Subsidiaries Zagreb centrum d.d. and Zagrebačko investicijsko društvo d.o.o. were merged into the Company in 2011.

Assets acquired and liabilities assumed at the acquisition date

	Zagreb centrum d.d.	Zagrebačko investicijsko društvo d.o.o.	Total
	(in HRK'000)	(in HRK'000)	(in HRK'000)
1 Current assets	**1,877**	**3,347**	**5,224**
Trade and other receivables	1,807	3,242	5,049
Cash and cash equivalents	70	105	175
2 Non-current assets	**647,610**	-	**647,610**
Property, plant and equipment	647,307	-	647,307
Deferred tax assets	303	-	303
Total assets	**649,487**	**3,347**	**652,834**
3 Share capital	**647,218**	**3,343**	**650,561**
Share capital	652,254	3,000	655,254
Retained earnings / (accumulated losses)	(5,036)	343	(4,693)
4 Non-current liabilities	**2**	-	**2**
Provisions for employee benefits	2	-	2
5 Current liabilities	**2,267**	**4**	**2,271**
Trade and other payables	2,267	4	2,271
Total equity and liabilities	**649,487**	**3,347**	**652,834**
6 Investments in subsidiaries	**652,254**	**3,000**	**655,254**
Net effect of the mergers (Note 30)	**(5,036)**	**343**	**(4,693)**

21. OTHER FINANCIAL ASSETS

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Current portion			
Held-to-maturity investments at amortised cost	6,430	4,714	3,191
	6,430	**4,714**	**3,191**
Long-term portion			
Financial assets at fair value	520	544	618
Held-to-maturity investments at amortised cost	115,052	114,384	112,983
	115,572	**114,928**	**113,601**

Financial assets at fair value

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Participating interests	**520**	**544**	**618**
Current portion	-	-	-
Long-term portion	520	544	618

Included in ***participating interests*** are financial assets (shares) carried at fair value through profit or loss. The shares represent non-controlling interests held in Zagrebačka banka d.d. and Samoborska banka d.d. in which the Company has no significant influence.

Held-to-maturity investments at amortised cost

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Deposits with maturities over one year	115,052	114,384	112,983
Deposits with maturities of up to one year	1,686	3,544	2,803
Other held-to-maturity securities	4,744	1,169	386
	121,482	**119,097**	**116,172**
Current portion	6,430	4,714	3,191
Long-term portion	115,052	114,384	112,983

21. OTHER FINANCIAL ASSETS (CONTINUED)

Deposits with financial institutions due after 1 year

	31/12/2012	31/12/2011	31/12/2010
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Zagrebačka banka d.d.	63,604	63,265	62,500
BKS Bank d.d.	49,047	48,926	47,749
Erste&Staiermaerkischebank d.d.	2,264	2,193	2,089
Others	137	-	645
	115,052	**114,384**	**112,983**

Deposits with financial institutions due within 1 year

	31/12/2012	31/12/2011	31/12/2010
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Hypo Alpe Adria Bank d.d.	-	1,171	1,149
Zagrebačka banka d.d.	933	985	752
Other credit institutions and accrued interest	753	1,388	902
	1,686	**3,544**	**2,803**

Given loans and deposits are classified into deposits with and short-term loans to unrelated companies with maturities of up to one year. The interest on the deposits was accrued at market rates effective at inception, which ranged from 3.4% to 4.75%. The interest on short-term loans to unrelated companies was accrued at the average interest rate in effect at inception (6 to 12 percent)

22. NON-CURRENT RECEIVABLES

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Long-term portion			
Amounts owed by related parties	1,073,238	1,203,489	1,302,147
Receivables for investments in government bonds	12,333	12,199	12,166
Loan receivables	15,908	15,385	18,632
Receivables in respect of credit sales	13,527	12,646	14,563
Other receivables	626,505	649,582	667,235
	1,741,511	**1,893,301**	**2,014,743**
Current portion - Notes 24 and 28			
Amounts owed by related parties	132,443	132,176	128,659
Receivables for loans with maturities after 1 year	1,429	1,846	1,884
Receivables for loans due within up to 1 year	4,899	6,647	11,172
Receivables in respect of credit sales	1,930	1,911	1,898
Other receivables	28,320	28,441	27,918
	169,021	**171,021**	**171,531**

22. NON-CURRENT RECEIVABLES (CONTINUED)

Included in long-term receivables from related parties are amounts due for works and services delivered as well as loans provided to related parties.

Long-term receivables from related companies

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Receivables from the owner	1,217,442	1,350,417	1,446,181
Impairment allowance on receivables from the owner	(11,761)	(14,752)	(15,375)
	1,205,681	**1,335,665**	**1,430,806**
Current portion	132,443	132,176	128,659
Long-term portion	1,073,238	1,203,489	1,302,147

Receivables from the owner comprise amounts owed by the City of Zagreb under guarantees furnished for long-term loans of ZET Branch in the amount of HRK 505,688 thousand (2011: HRK 609,735 thousand) and in respect of funding 50 percent of the lease costs for the sports facility Arena Zagreb in the amount of HRK 655,337 thousand (2011: HRK 684,265 thousand), whereas the remaining balance of HRK 44,656 thousand (2011: HRK 41,655 thousand) represents receivables for constructed roads (Note 43).

Receivables for investments in government bonds

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Receivables for investments in government bonds	15,765	15,624	15,525
Impairment allowance on receivables for investments in government bonds	(3,432)	(3,425)	(3,359)
	12,333	**12,199**	**12,166**
Current portion	-	-	-
Long-term portion	12,333	12,199	12,166

22. NON-CURRENT RECEIVABLES (CONTINUED)

Receivables for loans with maturities after 1 year

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Long-term loans to unrelated companies	2,112	3,206	3,775
Long-term loans to the Management and employees	17,720	19,072	20,562
Impairment allowance on given loans	(2,495)	(5,047)	(3,821)
	17,337	**17,231**	**20,516**
Current portion	1,429	1,846	1,884
Long-term portion	15,908	15,385	18,632

Receivables for loans due within up to 1 year

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Short-term loans to unrelated companies	37,480	39,469	41,861
Impairment allowance on given loans	(32,581)	(32,822)	(30,689)
	4,899	**6,647**	**11,172**
Current portion	4,899	6,647	11,172
Long-term portion	-	-	-

22. NON-CURRENT RECEIVABLES (CONTINUED)

Receivables in respect of credit sales

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Receivables for flats sold	18,033	19,963	21,870
Value adjustment on discount	(2,576)	(5,406)	(5,409)
Discount rate in %	***4.2%***	***7.2%***	***6.2%***
	15,457	**14,557**	**16,461**
Current portion	*1,930*	*1,911*	*1,898*
Long-term portion	*13,527*	*12,646*	*14,563*

Receivables for flats sold are discounted each year using the rate that reflects the yield rate on the Croatian government bonds, which was 4.16 percent in 2012 (2011: 7.2%).

Other non-current receivables

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Receivables from the State	651,942	674,600	691,252
Other receivables	2,883	3,423	3,901
	654,825	**678,023**	**695,153**
Current portion	28,320	28,441	27,918
Long-term portion	626,505	649,582	667,235

Receivables from the state in the amount of HRK 674,600 thousand (2011: HRK 674,000) comprise amounts owed by the Croatian Government in respect of funding 50 percent of the Arena Sports Hall rental costs

23. INVENTORIES

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Raw material and supplies	110,271	125,915	132,030
Work in progress	134,501	150,147	133,871
Finished products	512,203	527,369	531,170
Merchandise (and property in circulation)	8,008	8,747	10,801
Prepayments for inventories	704	85	517
	765,687	**812,263**	**808,389**

Inventories are broken down into raw material and supplies, which are expensed immediately when put into use, work in progress, finished products, merchandise and prepayments for inventories.

Work in progress comprises residential and commercial blocks in the quarter Sopnica-Jelkovec and the preparation for the construction works in the quarter Podbrežje. The Sopnica-Jelkovec structures were completed in late 2009, and the balance of work in progress as of 31 December 2012 was HRK 128.3 million and relates to the portion of the Sopnica Jelkovec Project still pending and the project documentation and purchase of land at the location Podbrežje.

Finished products comprise finished flats and business premises in the quarter Sopnica-Jelkovec that are available for sale and amounted to HRK 495 million at 31 December 2012.

Cost of inventories recognised as expense for the year amounts to HRK 10.2 million (2011: HRK 28.3 million) and relates to the costs recognised for the flats sold (Note 7).

24. RECEIVABLES FROM RELATED COMPANIES

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Receivables from the owner	276,516	368,875	468,667
Current portion of long-term receivables from the owner	132,443	132,176	128,659
Receivables from related companies	833	841	31,381
Loans to related companies (due within 1 year)	3,567	5,055	6,683
	413,359	**506,947**	**635,390**

24. RECEIVABLES FROM RELATED COMPANIES (CONTINUED)

Receivables from related companies are broken down into amounts owed by the owner (City of Zagreb), receivables from other related companies (subsidiaries) and receivables for loans to related companies. Receivables from related companies comprise short-term receivables for regular deliveries of goods, works and services. Receivables from the owner relate to short-term receivables for ordinary and other contracted works as well as receivables in respect of funding that are due in 2013.

Loans to subsidiaries relate to loans provided to subsidiaries Zagreb plakat d.o.o. and Zagreb arena d.o.o. in the amount of HRK 2.5 million and HRK 1 million, respectively. They accrue interest at rates equal to the commercial rates in effect at the time of approving the loans (6%).

25. TRADE RECEIVABLES

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Trade receivables	1,230,297	1,182,850	1,150,417
Impairment allowance on trade receivables	(526,283)	(506,441)	(440,212)
	704,014	**676,409**	**710,205**

Trade receivables are carried at amortised cost. Late-payment interest is charged on outstanding balances at rates prescribed by law. The Company makes an allowance for all trade debtors past due beyond 365 days. Allowances for doubtful debts are recognised against trade receivables between 120 and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade accounts receivable are reviewed at least twice annually, and reminders are sent for past due amounts, whereas forced collection proceedings are initiated for bad and doubtful accounts (distress and legal actions).

Receivables for delivered municipal services to individuals and businesses are not covered by any financial instruments. Receivables for other services delivered to commercial businesses are secured with various financial instruments (bills of exchange, debentures, bank guarantees and similar).

25. TRADE RECEIVABLES (continued)

In determining the recoverability of a trade receivable, the Company considers the business segment (communal or market activities, because of different factors affecting the pricing and delivery of those services) and the type of customer (citizens or businesses because of different statutes of limitations). The communal operations are governed by separate laws, and the related receivables are not secured by financial instruments. Trade accounts receivable from other activities are secured by various instruments (bills of exchange, promissory notes, debentures, etc.).

As of the reporting date, the Company made an allowance for all accounts outstanding beyond 365 days, based on an estimate made by commissions for assessing collectability of receivables, as well as for all debtors outstanding up to 365 days (120 – 365 days) because, according to the past default history, they are considered doubtful of collection.

Ageing of past due but not impaired:

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
0-60 days	107,468	105,711
60-180 days	68,100	70,117
180-365 days	75,252	68,203
Over 365 days	253,117	232,706
	503,937	**476,737**

Movement in impairment allowance for doubtful accounts

	2012	2011 As restated
	(in HRK'000)	(in HRK'000)
Balance at beginning of the year	**506,441**	**440,212**
Impairment losses recognised	93,730	116,854
Amounts written-off as uncollectible	(19,822)	(15,256)
Amounts recovered during the year	(54,066)	(35,369)
Balance at end of year	**526,283**	**506,441**

25. TRADE RECEIVABLES (CONTINUED)

Ageing of impaired trade receivables

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
120-180 days	2,471	1,773
180-365 days	5,287	3,980
Over 365 days	518,525	500,688
	526,283	**506,441**

26. AMOUNTS DUE FROM EMPLOYEES

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Amounts due from employees	4,331	3,348	3,101
Impairment allowance on amounts due from employees	(1,317)	(1,320)	(1,344)
	3,014	**2,028**	**1,757**

27. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Receivables from the Croatian State Health Insurance Fund	5,745	5,054	7,386
Income tax refund	10	-	5,511
VAT receivable	1,566	2,386	670
Receivables for other taxes, contributions and fees	1,302	721	1,163
	8,623	**8,161**	**14,730**

28. OTHER RECEIVABLES

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Prepayments made	11,107	7,892	9,616
Impairment allowance on prepayments	(2,381)	(2,381)	(2,381)
Current portion of long-term receivables	36,578	38,845	42,872
Receivables from insurance companies and other damages receivable	1,317	968	1,588
Prepaid expenses and accrued income	90,955	71,139	71,803
Other receivables	962	3,072	1,860
	138,538	**119,535**	**125,358**

Prepaid expenses and accrued income comprise amounts paid in advance that are chargeable to future periods, accrued income not yet billed, accrued interest and fees on loans that are apportioned over the periods of the loan repayment using the effective interest rate, deferred bond issue costs (discount allocated annually to expenses for the period at the effective interest rate up to 2017).

29. CASH AND CASH EQUIVALENTS

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Current account balance - HRK denominated	37,470	78,039	53,357
Cash in hand	1,283	930	1,069
FX current account balance	2,664	3,053	1,969
Foreign-currency cash in hand	8	11	20
Other cash (court ordered deposits and similar)	8,030	7,760	7,571
	49,455	**89,793**	**63,986**

30. EQUITY

Share capital

The Company's sole owner is the City of Zagreb. At 31 December 2012, the share capital of the Company amounts to HRK 4,208,629 thousand (31 December 2011: HRK 4,208,629 thousand).

Revaluation reserve

Revaluation reserve has been established on the revaluation of land. On disposal of a revalued asset, the portion of the revaluation surplus attributable to the asset is transferred to retained earnings.

	31/12/2012	31/12/2011 As restated
	(in HRK'000)	(in HRK'000)
Balance at beginning of the year	**2,782,470**	**2,080,499**
(Decrease) / increase from revaluation	(206)	1,016,417
Deferred tax liabilities arising from revaluation	41	(314,446)
Balance at end of year	**2,782,305**	**2,782,470**

Other comprehensive income for the year ended 31 December 2012 amounts to HRK 165 thousand and arose on the revaluation of land (31 December 2011: the revaluation surplus on land in the amount of HRK 701,971 credited to other comprehensive income).

Other reserves

Other reserves reported in the statement of financial position at 31 December 2012 in the amount of HRK 97,300 thousand comprise to the share capital of two companies merged in 2001 (Grad mladih Granešina d.o.o. and Omladinski turistički centar d.o.o.) to a Branch, for which no share capital was increased by HRK 15,125 thousand, as well as reserves formed as per the Decision of the Assembly regarding assets granted by the City of Zagreb in the amount of HRK 82,175 thousand.

(Accumulated losses) / retained earnings

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Balance at beginning of the year	**(16,384)**	**473,932**	**524,246**
Acquisition of subsidiaries	-	(4,694)	-
Loss for the year	(359,009)	(485,622)	(50,315)
Balance at end of year	**(375,393)**	**(16,384)**	**473,931**

31. PROVISIONS

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Provisions for employee benefits under IAS 19	280,615	250,829	281,333
Litigation provisions	116,617	96,220	110,321
Provisions for the landfill restoration	35,022	24,293	28,025
Current portion	(53,627)	(32,611)	(38,830)
	378,627	**338,731**	**380,849**
Current obligation (Note 41)	53,627	32,611	38,830
Long-term obligation	378,627	338,731	380,849
	432,254	371,342	419,679
Discount rate applied to employee benefits and landfill rehabilitation	5%	7.2%	6.2%

Balance and movements of long-term provisions:

(in HRK'000)	Provisions for employee benefits	Litigation provision	Landfill restoration provision	Total
At 1 January 2011 (as restated)	**281,333**	**110,321**	**28,025**	**419,679**
New provisions made	3,027	7,320	-	10,347
Reversed provisions / Amounts paid	(33,531)	(21,421)	(3,732)	(58,684)
Balance at 31 December 2011, as restated	**250,829**	**96,220**	**24,293**	**371,342**
New provisions made	37,229	30,922	10,729	78,880
Reversed provisions / Amounts paid	(7,443)	(10,525)		(17,968)
Balance at 31 December 2012	**280,615**	**116,617**	**35,022**	**432,254**

31. PROVISIONS (CONTINUED)

The obligation to make provisions for employee benefits arises from the Collective Agreement, and the level of provisions was determined in accordance with IAS 19 Employee Benefits. They consists of provisions for termination and retirement benefits, long-service benefits and solidarity support. They are measured at the present value of costs expected to be incurred to settle the obligation, using a discount rate of 5 percent.

The landfill rehabilitation provision relates to the cost of maintenance and surveillance over the Jakuševac Landfill over the next 30 years from its wind-up for environmental protection purposes in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The provisions are discounted.

Litigation provision relates to provisions allocated for legal actions initiated against the Company following the knowledge of a claim being initiated and on the basis of the estimated final outcome of the litigation. In the opinion of the management, the level of provisions is sufficient to cover any future potential liabilities.

32. LOANS AND BORROWINGS

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Non-current			
Loans and borrowings payable	1,715,090	1,932,237	2,140,712
Finance lease obligations	1,128,147	1,239,368	1,316,348
	2,843,237	**3,171,605**	**3,457,060**
Current			
Loans and borrowings payable	1,218,653	1,065,623	808,609
Finance lease obligations	112,340	107,980	102,049
Other	87,951	96,713	84,643
	1,418,944	**1,270,316**	**995,301**
Total loans and borrowings	**4,262,181**	**4,441,921**	**4,452,361**

Long-term and short-term bank loans are secured by bills of exchange, promissory notes, debentures and cession agreements worth in total HRK 1,923,173 thousand, account pledges in the amount of HRK 206,496 thousand, a bank deposit in the amount of HRK 56,000 thousand, lien on real estate in the amount of HRK 85,530 thousand, lien on movable property in the amount of HRK 53,375 thousand and a guarantee of the City of Zagreb in the amount of HRK 611,168 thousand.

Some of the foreign bank loans are subject to restrictive financial and operating covenants The covenants, as defined in the applicable loan agreements, specifically require from the Company to meet certain prescribed levels of the following ratios: operating ratio, debt service coverage, internal cash generation, tangible net worth capital, and net borrowings. At 31 December 2012 the Company was compliant with all the financial covenants.

32. LOANS AND BORROWINGS (CONTINUED)

Movements in non-current loans and borrowings

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Balance at 1 January	**2,257,116**	**2,413,914**	**2,648,859**
New loans raised	69,124	46,928	28,213
Amounts repaid	(328,336)	(228,412)	(276,958)
Effect of exchange differences	2,181	24,686	13,800
Balance at 31 December	**2,000,085**	**2,257,116**	**2,413,914**
Current portion	(284,995)	(324,879)	(273,202)
Long-term portion	**1,715,090**	**1,932,237**	**2,140,712**

Repayment schedule of long-term loans and borrowings

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Within one year	284,995	324,879	273,202
In the second to inclusive the fifth year	1,076,319	1,091,028	1,051,939
After five years	638,771	841,209	1,088,773
	2,000,085	**2,257,116**	**2,413,914**

Analysis by currency:

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
HRK	906,200	1,000,643	1,095,086
EUR	1,093,885	1,256,473	1,318,828
	2,000,085	**2,257,116**	**2,413,914**

32. LOANS AND BORROWINGS (CONTINUED)

Finance lease obligations

	Minimum lease payments			Present value of minimum lease payments		
	31/12/2012	31/12/2011 As restated	01/01/2011 As restated	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
(in HRK'000)						
Within one year	159,951	166,222	155,611	112,340	107,980	102,049
In the second to inclusive the fifth year	601,720	657,506	636,056	442,273	465,832	474,628
After five years	1,038,044	1,160,878	1,295,160	685,874	773,536	841,720
	1,799,715	**1,984,606**	**2,086,827**	**1,240,487**	**1,347,348**	**1,418,397**
Less: future finance charges	(559,228)	(637,258)	(668,430)	-	-	-
Present value of minimum lease payments	**1,240,487**	**1,347,348**	**1,418,397**	-	-	-
Included in the financial statements within:						
Current liabilities				112,340	107,980	102,049
Non-current liabilities				1,128,147	1,239,368	1,316,348
				1,240,487	**1,347,348**	**1,418,397**

Finance lease obligations relate to equipment (vehicles) and a building leased for a period of 5 - 28 years. Following the expiry of the lease, the Company has an option to purchase the leased items at contractually agreed values. The Company's liabilities under financial leases are secured by the title of the lessor to the leased assets. The average interest rate applied in determining the financial lease payments was 4.2% (2011: 4.2%).

32. LOANS AND BORROWINGS (CONTINUED)

Financial instruments (continued)

Present value of items under financial lease arrangements:

	Buildings	Tools and vehicles	Total
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Cost	818,881	853,074	1,671,955
Accumulated depreciation	30,708	157,759	188,467
Net book value At 31/12/2011	**788,173**	**695,315**	**1,483,488**
Cost	818,881	853,074	1,671,955
Accumulated depreciation	40,944	194,441	235,385
Net book value At 31/12/2012	**777,937**	**658,633**	**1,436,570**

32. LOANS AND BORROWINGS (CONTINUED)

Short-term loans and borrowings

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Short-term loans and borrowings	1,218,653	1,065,623	808,609
Short-term loans and borrowings	*933,658*	*740,744*	*535,407*
Current portion of long-term borrowings	*284,995*	*324,879*	*273,202*
Financial leases (current portion)	112,340	107,980	102,049
Other (interest on borrowings and bonds)	87,951	96,713	84,643
	1,418,944	**1,270,316**	**995,301**

Movements in short-term loans and borrowings

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Balance at 1 January	**1,065,623**	**808,609**	**360,425**
Proceeds from new loans	989,739	1,013,168	615,274
Less: paid current portion of long-term debt (see Note "Movements in long-term borrowings")	(324,879)	(273,202)	(277,353)
Current portion of long-term borrowings	284,995	324,879	273,202
Amounts repaid	(797,874)	(815,536)	(445,611)
Effect of exchange differences	1,049	7,705	5,319
Balance at 31 December	**1,218,653**	**1,065,623**	**808,609**

Analysis by currency:

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
HRK	416,783	240,155	240,000
EUR	516,875	500,589	295,407
	933,658	**740,744**	**535,407**

33. LIABILITIES IN RESPECT OF ISSUED BONDS

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Issued bonds	2,263,687	2,259,126	2,215,552
	2,263,687	**2,259,126**	**2,215,552**

In July 2007, the Parent issued bonds in the amount of EUR 300,000,000, with the effective coupon rate of 5.5 percent annually, which mature on a one-off basis in July 2017. The carrying amounts of the bonds approximate their fair values.

In connection with the bonds issue, an interest rate swap was entered into on 10 July 2007 in the amount of EUR 300 million, which resulted in a decrease of the average interest rate to fixed 2.5 percent in 2008 for the entire principal, fixed 2 percent in 2009 for the entire principal and 2 percent in 2010 for the entire principal.

34. OTHER NON-CURRENT LIABILITIES

	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Liabilities to related companies	224,127	196,795	196,795
Trade payables	11,993	2,047	2,694
Other long-term liabilities	19,610	26,978	20,267
	255,730	**225,820**	**219,756**

34. OTHER NON-CURRENT LIABILITIES (CONTINUED)

Liabilities to related parties reported in the statement of financial position at 31 December 2012 in the amount of HRK 224,127 thousand (2011: HRK 196,795 thousand) relate entirely to the obligation towards the owner, the City of Zagreb, as the owner of purchased real estate.

Trade payables reported in the statement of financial position at 31 December 2012 in the amount of HRK 11,993 thousand (2011: HRK 2,047 thousand) relate entirely to advances received.

Other non-current liabilities reported in the statement of financial position at 31 December 2012 in the amount of HRK 19,610 thousand (2011: HRK 26,978 thousand) relate entirely to an amount owed to the State for flats sold to employees in accordance with the underlying government programme. According to the then applicable regulations, 65 of the income from the sale of flats to employees was to be transferred to the state upon collection. Based on the Law, the Company has no obligation to remit the funds before they have been collected from the employees.

35. DEFERRED INCOME

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Deferred income	4,516,492	4,637,317	4,871,303
	4,516,492	**4,637,317**	**4,871,303**

Deferred income relates to assets received or financed by local self-government units, the owner and other legal entities, free of charge, which are reported in the statement of financial position under deferred income. The decrease in deferred income is recognised in the statement of comprehensive income proportionally over the useful life of the assets to the extent of depreciation of the assets financed out of the budget, in accordance with IAS 20 Accounting for Government Grants and Government Assistance, whereas for repayments of long-term loans used to finance the assets of the Company, the income is recognised to the extent of the amount repaid by the City of Zagreb which assumed the obligation to repay those loans.

36. LIABILITIES TO RELATED COMPANIES

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Trade payables (related companies)	12,800	12,785	15,334
Borrowings from related parties	69,836	29,615	10,313
Due to the City of Zagreb	133,846	45,497	40,922
	216,482	**87,897**	**66,569**

37. ADVANCES, DEPOSITS AND GUARANTEES RECEIVED

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Advances received from unrelated companies	27,028	20,258	17,084
Advances received from the City of Zagreb	-	2,157	306
	27,028	**22,415**	**17,390**

38. TRADE PAYABLES

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Domestic trade payables	838,893	861,920	885,561
Foreign trade payables	641	939	1,007
Invoice accruals	1,005	854	1,652
	840,539	**863,713**	**888,220**

39. AMOUNTS DUE TO EMPLOYEES

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Net salaries payable	76,129	87,745	79,428
Fees and benefits payable	5,228	1,342	6,290
	81,357	**89,087**	**85,718**

At 31 December 2012, the Company had 11,620 employees (31 December 2011: 11,779 employees).

40. TAXES AND CONTRIBUTIONS PAYABLE

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Payroll and benefit-related taxes and contributions	51,144	66,878	54,015
Value added tax	31,060	29,835	25,549
Membership and similar fees	33,039	25,943	5,396
Other taxes payable	671	258	2,910
	115,914	**122,914**	**87,870**

41. OTHER CURRENT LIABILITIES

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Liabilities under recharged servicesa (VIO)	260,192	371,723	253,768
Other fees payable under decisions	46,902	72,329	31,615
Accrued expenses not yet billed	127,268	81,918	223,072
Deferred sales	45,082	51,325	44,050
Accrued VAT on prepayments	6	9	27
Current portion of long-term provisions for employee benefits	53,627	32,611	38,830
	533,077	**609,915**	**591,362**

42. OFF-BALANCE SHEET ITEMS

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Off balance sheet items	879,665	1,007,319	1,235,029
	879,665	**1,007,319**	**1,235,029**

At 31 December 2012 off-balance sheet items comprise given guarantees and debentures in the amount of HRK 101.3 million (2011: HRK 79.4 million), received guarantees and debentures in the amount of HRK 88.9 million (2011: HRK 77.8 million), assets received under operating leases in the amount of HRK 679.5 million (2011: HRK 833.5 million) and other goods received or given under commission or consignment.

43. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if they, directly or indirectly, through one or several intermediaries, control, or are controlled by, have a significant influence in, or are under joint control with the reporting entity (which includes the parent, subsidiaries and branches). The City of Zagreb, being the sole owner of the Company, is the only having significant control over the Company's operations.

Trading transactions

Transactions between the related entities are set out below:

	Sales		Purchases of goods and services	
	2012	2011	2012	2011
		As restated		As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)	(in HRK'000)
City of Zagreb	923,663	845,072	28,831	26,687
Gradska plinara Zagreb d.o.o.	2,534	2,715	66	12
Gradska plinara Zagreb-Opskrba d.o.o.	672	62	15,846	15,866
Zagreb plakat d.o.o.	409	203	291	153
Gradska ljekarna Zagreb	249	125	62	53
Zagreb arena d.o.o.	49	-	-	-
Zagreb centrum d.d.	-	21	-	-
Zagrebačko investicijsko društvo d.o.o.	-	4	-	-
	927,576	**848,202**	**45,096**	**42,771**

43. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Outstanding balances from trading transactions at the end of the reporting period:

	Amounts owed by related parties		
	31/12/2012	**31/12/2011**	**01/01/2011**
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
City of Zagreb	276,515	368,874	468,668
Gradska plinara Zagreb d.o.o.	538	585	373
Gradska plinara Zagreb-Opskrba d.o.o.	260	42	85
Zagreb plakat d.o.o.	1	1	1
Gradska ljekarna Zagreb	23	214	22
Zagreb arena d.o.o.	12	-	50
Zagreb centrum d.d.	-	-	30,849
	277,349	**369,716**	**500,048**

	Amounts owed to related parties		
	31/12/2012	**31/12/2011**	**01/01/2011**
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
City of Zagreb	133,847	45,497	40,923
Gradska plinara Zagreb d.o.o.	94	2,063	2,285
Gradska plinara Zagreb - Opskrba d.o.o.	12,403	10,594	12,633
Zagreb plakat d.o.o.	187	-	327
Gradska ljekarna Zagreb	116	128	88
Zagreb arena d.o.o.	-	-	-
Zagreb centrum d.d.	-	-	-
	146,647	**58,282**	**56,256**

Sales from related-party transactions were made at standard market prices that are comparable with the prices charged to unrelated parties.

The outstanding balances are not secured by any security instrument (debentures, bills of exchange, bank guarantees) and will be settled in cash.

43. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Related-party loans	Receivables for loans to related parties		
	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Gradska plinara Zagreb d.o.o.	-	-	-
Gradska plinara Zagreb - Opskrba d.o.o.	-	-	-
Zagreb plakat d.o.o.	2,525	4,020	6,132
Gradska ljekarna Zagreb	-	-	-
Zagreb arena d.o.o.	1,042	1,035	551
Zagreb centrum d.d.	-	-	-
Zagrebačko investicijsko društvo d.o.o.	-	-	-
	3,567	**5,055**	**6,683**

Related-party loans	Loans payable to related parties		
	31/12/2012	31/12/2011 As restated	01/01/2011 As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Gradska plinara Zagreb d.o.o.	33,228	25,376	-
Gradska plinara Zagreb - Opskrba d.o.o.	32,607	-	-
Zagreb plakat d.o.o.	-	-	-
Gradska ljekarna Zagreb	4,000	4,239	4,161
Zagreb arena d.o.o.	-	-	-
Zagreb centrum d.d.	-	-	3,030
Zagrebačko investicijsko društvo d.o.o.	-	-	3,122
	69,835	**29,615**	**10,313**

During the reporting periods presented, the Company approved several short-term and long-term loans (due within 2 years) to its related parties, which are specified above. The loan interest rates are comparable to average commercial rates prevailing at the time of the loan origination. The loans are secured by debentures (promissory notes) and bills of exchange.

43. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Amounts receivable under other related party transactions		
	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
City of Zagreb	1,205,681	1,335,665	1,430,806
Gradska plinara Zagreb - Opskrba d.o.o.	-	-	-
	1,205,681	**1,335,665**	**1,430,806**

	Amounts payable under other related party transactions		
	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
City of Zagreb	224,127	196,795	196,703
Gradska plinara Zagreb - Opskrba d.o.o.	-	-	93
	224,127	**196,795**	**196,796**

Other related party transactions include long-term receivables from the owner for guarantees provided for long-term loans to ZET Branch for loans raised for the reconstruction of public transport in the amount of HRK 505,688 thousand (2011: HRK 609,735 thousand). In 2009, a long-term receivable from the owner was recognisedin respect of funding 50 percent of the lease costs for the sports facility Arena Zagreb in the amount of HRK 655,337 thousand (2011: HRK 684,265 thousand) based on an agreement between the City of Zagreb and the Republic of Croatia. The remaining balance receivable from other related party transactions relates to amounts due under the agreement on the road construction financing.

43. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

In addition to the City of Zagreb, the Company's related parties include the members of its Management and Supervisory Boards. The total remuneration paid to the directors (of Zagrebački holding and its Branches) and members of the supervisory bodies paid in 2012 was as follows:

	31/12/2012	31/12/2011 As restated
	(in HRK'000)	(in HRK'000)
Salaries of the key management personnel and Branch directors	7,932	8,124
Fees to the Supervisory Board members	751	821
	8,683	**8,945**

44. EMPLOYEE BENEFITS

As of 31 December 2012, provisions for employee benefits, which include long-service benefits and solidarity support, amount to HRK 280,615 thousand (at 31 December 2011: HRK 250,829 thousand).

Long-service and termination and solidarity support

According to the Collective Agreement, the Group has the obligation to pay long-service (jubilee awards) to its employees. The Company operates a defined benefit plan for qualifying employees. Under the plan, the employees are entitled to long-service benefits (jubilee awards) according to the average per-employee salary paid for the economic activities in the City of Zagreb according to the following tenure with the Company:

- HRK 700 for 5 years of continuous service
- 1 average monthly salary for 10 years of continuous service
- 1.5 average monthly salary for 15 years of continuous service
- 2 average monthly salaries for 20 years of continuous service
- 2.5 average monthly salaries for 25 years of continuous service
- 3 average monthly salaries for 30 years of continuous service
- 3.5 average monthly salaries for 35 years of continuous service
- 4 average monthly salaries for 40 years of continuous service

As per Collective Agreement, the employees retiring at regular age are entitled to a one-off retirement allowance amounting to 3 average monthly salaries paid from the economic activities in the City of Zagreb over the past three months.

44. EMPLOYEE BENEFITS (CONTINUED)

Solidarity support is based on the average salary paid to businesses in the territory of the City of Zagreb and is paid in the following cases:

- death of the employee or a member of his/her close family;
- severe disability of the employee, his/her children or spouse;
- sick leave of the employee beyond 90 days
- support to the children of employees who fell victims during the Homeland War
- purchases of medical aids, coverage of the participation component in purchasing necessary pharmaceuticals required in the opinion of the competent doctor
- restoration of damage resulting from an Act of God;
- birth of a child
- severe occupational injury.

The present value of defined benefit obligations and the related current and past service costs have been determined using the Projected Credit Unit method and the discount rate of 5 percent (2011: 7.2%), which reflects the market yield on government bonds.

44. EMPLOYEE BENEFITS (CONTINUED)

Key assumptions underlying the actuarial estimates:

	2012	2011
Discount rate	5%	7.2%
Fluctuation rate	4.5%	3.5%
Average expected remaining service period (in years)	20	20

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined long-service and retirement benefits is as follows:

	2012	2011
	(in HRK'000)	(in HRK'000)
Present value of the long-service benefit obligation	198,076	163,862
Present value of the termination benefit obligation	50,123	53,981
Present value of the solidarity support	32,416	32,986
Obligation included in the statement of financial position	**280,615**	**250,829**

Of which by maturity:

	2012	2011
	(in HRK'000)	(in HRK'000)
Current liabilities	41,966	22,996
Non-current liabilities	238,649	227,833
	280,615	**250,829**

45. FINANCIAL INSTRUMENTS

45.1. Capital risk management

Gearing ratio

The capital structure is reviewed at least semi-annually by analysing the cost of capital and the related risks.

Gearing ratio at the end of the reporting period:

	2012	2011
		As restated
	(in HRK'000)	(in HRK'000)
Debt	***5,240,792***	***5,296,331***
Loans, borrowings and financial leases (long-term and current portion)	4,262,181	4,441,921
Liabilities under issued long-term securities	2,263,687	2,259,126
- Liability under financial lease of the Arena Zagreb (as it reported as receivable from the City of Zagreb and the Croatian Government)	(779,388)	(794,981)
- Loan debt of ZET, for which an amount receivable from the City of Zagreb has been included (on the basis of the City guarantees provided for the loan debt)	(505,688)	(609,735)
Cash in hand and with banks	***49,455***	***89,793***
Net debt	***5,191,337***	***5,206,538***
Equity	***6,712,841***	***7,072,015***
Net debt-to-equity ratio	**77.3%**	**73.6%**

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.2. Categories of financial instruments

	31/12/2012	31/12/2011	01/01/2011
		As restated	As restated
	(in HRK'000)	(in HRK'000)	(in HRK'000)
Financial assets			
Cash with banks and in hand	49,455	89,793	63,986
Financial assets at fair value	521	544	617
Long-term deposits and other financial assets	121,482	119,098	116,173
Receivables from related companies and trade debtors	2,187,044	2,381,790	2,641,059
Receivables for investments in government bonds	12,333	12,199	12,166
Receivables for loans and credit sales	41,261	43,490	54,833
Amounts due from employees	3,014	2,028	1,757
Other receivables	756,783	758,713	777,639
Financial liabilities			
Finance lease agreements	1,240,487	1,347,348	1,418,398
Loans, borrowings and financial leases (long-term and current portion)	3,001,544	3,094,573	3,033,964
Liabilities under issued long-term securities	2,263,687	2,259,126	2,215,552
Liabilities to related companies and trade creditors	1,293,141	1,150,452	1,154,278
Liabilities in respect of loans, deposits and similar	27,028	22,415	17,390
Amounts due to employees	81,357	89,087	85,718
Other current liabilities	479,448	577,302	552,532

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.3. Financial risk management objectives

For the purpose of forecasting potential scenarios that may have a negative impact on the operations and achievement of the Company's objectives, the Company identifies financial risks, assesses their potential impact on the Company's future operations and manages those risks.

The various financial risks to which the Company is exposed in the course of its operations are sought to be minimised, avoided and rolled over in order to safeguard its operations. If economically feasible, certain financial risks are accepted.

The key risks comprise liquidity risk, foreign exchange risk and interest rate risk.

They are described below, along with the methods applied to manage those risks. The Company did not use any derivative instruments to manage the risks. The Company does not use derivatives for speculative purposes.

45.4. Market risk

The communal service prices are proposed by the Management Board based on the market prices, and determined and approved by the City of Zagreb.

The activities of the Company expose it to the financial risks of changes in foreign exchange and interest rates. The market risk exposure is supplemented by sensitivity analyses. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

45.5. Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Company's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below

	Liabilities		Property insurance	
	31/12/2012	**31/12/2011**, as restated	**31/12/2012**	**31/12/2011**, as restated
	(in HRK'000)		(in HRK'000)	
EUR	5,250,930	5,440,490	1,897,849	2,053,011
USD	-	-	157	160
Other currencies	-	-	85	55

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.5. Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations in the exchange rate of Croatian kuna to euro (EUR), since most of its debt i.e. 79% is tied to that currency. The following table details the Company's sensitivity to a 1% increase in Croatian kuna against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to the Management Board and represents the Board's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates a decrease in profit where the Croatian kuna changes against the relevant currency for the percentage specified above. For a weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit.

	EUR impact		USD impact		Impact of other currencies	
	31/12/2012	**31/12/2011**, as restated	**31/12/2012**	**31/12/2011**, as restated	**31/12/2012**	**31/12/2011**, as restated
	(in HRK'000)		(in HRK'000)		(in HRK'000)	
(Loss) / profit	(33,531)	(33,875)	-	-	1	1

45.6. Interest rate risk management

Given that 53 percent of the Company's loan debt bears interest at variable rates, the Company is exposed to interest rate risk. Set out below are the interest rates at 31 December 2012 and 31 December 2011 by type of liability:

	2012	**2011** As restated
EURIBOR	27.65%	22.90%
LIBOR	6.80%	11.05%
ZIBOR	0.23%	0.32%
Treasury bills of the Ministry of Finance	18.18%	22.35%
Fixed rate of interest	47.13%	43.38%
	100.00%	**100.00%**

Out of the total loan debt of the Group, 47 percent are agreed at fixed rates. The majority of the loan debt bearing fixed rates of interest comprises issued bonds with a fixed coupon rate of 5.50 % p.a., and the rest relates to the finance lease obligation for Arena Zagreb.

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.6. Interest rate risk management (continued)

EURIBOR and EUR LIBOR tied loan debt accounts for 34.45 of the total loan debt, whereas 18.18 of the loan debt is tied to the yield on the Treasury Bills of the Croatian Ministry of Finance. Thus, 53 percent of the loan debt bears interest at variable rates, which has been acknowledged as a significant uncertainty in developing future cash flow projections. For the purpose of managing credit risk, the Company is actively monitoring the interest rate movements. Given the volatility of the EURIBOR and the yield on the Treasury Bills of the Croatian Ministry of Finance, the Company finds the interest rate risk acceptable and, consequently, has entered into no derivative instruments as a hedge against the interest rate risk.

The Company identifies the mismatch between the interest-bearing transactions in which the Company is the payee and the payer and seeks to achieve balance with the interest receivable while agreeing the interest rates payable.

45.7. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Customers are classified into risk groupings based on the financial indicators and own trading records, and appropriate credit risk mitigation measures are taken for each risk class. Customers are classified mainly on the basis of their official financial statements and the Company's history of trading with each customer.

The Company transacts with a large number of customers from various industries and of various size, as well as with citizens (individuals). Trade receivables are presented net of allowance for bad and doubtful accounts.

45.8. Liquidity risk management

Because of the liquidity problems prevailing in the Croatian economy, the liquidity risk has a highly negative impact on the Company's operations. Instruments used to monitor and mitigate liquidity risk are as follows: analysing and managing cash flows; analysing assets and the sources of financing those assets; analysing customer creditworthiness; collateral; credit and revolving facilities, and similar.

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.8. Liquidity risk management (continued)

45.8.1. Liquidity and interest rate risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both principal and interest cash flows.

(in HRK'000)	Weighted average effective interest rate %	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
At 31 December 2012								
Non-interest bearing								
Liabilities to related companies and trade creditors		1,062,290	6,442	6,148	6,273	4,110	207,877	1,293,141
Liabilities in respect of loans, deposits and similar		27,028						27,028
Amounts due to employees		81,357						81,357
Other current liabilities		479,448						479,448
Variable-rate instruments								
Finance lease obligations	2.19%	105,622	105,624	105,625	105,627	67,531	5,802	495,831
Loans and borrowings payable	2.95%	1,332,204	354,890	341,827	329,638	272,285	740,994	3,371,837
								1,332,204
Fixed-rate instruments								
Finance lease obligations	4.70%	54,328	54,328	54,328	54,328	54,328	1,032,241	1,303,884
Loans and borrowings payable	7.00%	5,838	5,492	5,147				16,477
Issued bonds	5.50%	124,503	124,503	124,503	124,503	2,328,497		2,826,508
		3,272,618	**651,279**	**637,578**	**620,369**	**2,726,751**	**1,986,914**	**9,895,511**

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.8. Liquidity risk management (continued)

45.8.1. Liquidity and interest rate risk tables (continued)

(in HRK'000)	Weighted average effective interest rate	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
	%							
At 31 December 2011, as restated								
Non-interest bearing								
Liabilities to related companies and trade creditors		951,610	1,060	530	458		196,795	1,150,452
Liabilities in respect of loans, deposits and similar		22,415						22,415
Amounts due to employees		89,087						89,087
Other current liabilities		577,302						577,302
Variable-rate instruments								
Finance lease obligations	3.36%	112,003	110,205	110,142	110,142	110,142	76,497	629,131
Loans and borrowings payable	5.08%	1,246,069	370,167	356,379	340,675	326,091	992,798	3,632,178
Fixed-rate instruments								
Finance lease obligations	4.70%	54,219	54,219	54,219	54,219	54,219	1,084,380	1,355,476
Loans and borrowings payable	7.00%	7,972	5,813	5,470	5,127	380		24,761
Issued bonds	5.50%	124,252	124,252	124,252	124,252	124,252	2,321,252	2,942,512
		3,184,929	**665,716**	**650,992**	**634,873**	**615,084**	**4,671,722**	**10,423,314**

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.8. Liquidity risk management (continued)

45.8.1. Liquidity and interest rate risk tables (continued)

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets until contractual maturities, including interest to be earned on those assets.

	Weighted average effective interest rate	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
(in HRK'000)	%							
At 31 December 2012								
Non-interest bearing								
Cash and cash equivalents		49,455						49,455
Financial assets at fair value							521	521
Receivables from related companies and trade debtors		1,113,735	177,028	132,372	132,372	112,727	518,809	2,187,044
Receivables for investments in government bonds							12,333	12,333
Amounts due from employees		3,014						3,014
Other receivables		130,279	27,967	27,677	27,480	27,260	516,121	756,783
Variable-rate instruments								
Given loans and other held-to-maturity securities	6.80%	2,128	2,128	2,128	2,128	2,128	64,117	74,757
Fixed-rate instruments								
Given loans and other held-to-maturity securities	3.39%	8,383	1,953	1,953	1,953	1,953	88,916	105,111
Given loans	6.14%	8,462	3,872	3,009	2,828	2,756	4,375	25,300
Receivables for given loans for flats	1.38%	2,139	2,118	2,123	2,066	2,028	6,034	16,508
Given loans to related parties and accrued loan interest	6.00%	3,567						3,567
		1,321,162	**215,066**	**169,262**	**168,827**	**148,852**	**1,211,226**	**3,234,393**

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.8. Liquidity risk management (continued)

45.8.1. Liquidity and interest rate risk tables (continued)

(in HRK'000)	Weighted average effective interest rate %	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
At 31 December 2011, as restated								
Non-interest bearing								
Cash and cash equivalents		89,793						89,793
Financial assets at fair value							544	544
Receivables from related companies and trade debtors		1,178,302	132,176	173,841	132,176	132,176	633,120	2,381,790
Receivables for investments in government bonds							12,199	12,199
Amounts due from employees		2,028						2,028
Other receivables		109,131	28,118	27,738	27,439	27,234	539,052	758,713
Variable-rate instruments								
Long-term deposits and other financial assets	6.80%	3,812	3,812	3,812	3,812	3,812	79,619	98,678
Fixed-rate instruments								
Long-term deposits and other financial assets	3.39%	6,684	2,048	1,971	1,971	1,971	89,678	104,322
Given loans	6.14%	10,034	5,204	1,997	1,989	1,933	4,428	25,586
Receivables for given loans for flats	1.38%	1,911	1,842	1,841	1,840	1,839	5,284	14,557
Given loans to related parties and accrued loan interest	6.00%	5,055						5,055
		1,406,750	**173,200**	**211,200**	**169,227**	**168,965**	**1,363,924**	**3,493,265**

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.9. Fair value of financial instruments

45.9.1. Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 indicators - indicators of fair value derived from data other than quoted prices from Level 1 for observable assets or liabilities (i.e. their prices) or indirectly (derived from the price); and
- Level 3 indicators Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				31/12/2012
(in HRK'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Participating interest - investment in shares	520	-	-	520
	520	**-**	**-**	**520**

				31/12/2011
(in HRK'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Participating interest - investment in shares	544	-	-	544
	544	**-**	**-**	**544**

46. COMITTMENTS

The Company has entered into contracts that are still in progress. Costs to be incurred under those contracts have been estimated at HRK 147,146 thousand, whereas the estimated value of investments amounts to HRK 194,493 thousand.

47. CONTINGENT LIABILITIES

Environmental matters

Included in the Group is Branch ZGOS, whose principal business is communal and other waste disposal and the rehabilitation of the Jakuševac landfill, as well as to assist the City in establishing a long-term communal waste management development strategy for the City of Zagreb. The environmental effects are monitored by local and governmental environmental authorities. In respect of future costs of maintenance and supervision of the landfill the Group (i.e. ZGOS) recorded a provision of HRK 35,022 thousand, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (2011: HRK 24,293 thousand).

Taxation

The Company is subject to corporate income tax on their taxable profits in Croatia and those other tax jurisdictions in which they operate. The supervisory inspection of the value-added tax and corporate income tax for the year 2010 by the Tax Administration is currently in progress.

Restructuring

In 2010 the Management Board adopted a programme of measures and activities aimed at restructuring and streamlining the operations, which will continue in the following periods.

Concession rights

Vodoopskrba i odvodnja, a branch within the Company, pays a concession fee for the water supply, which amounts to HRK 0.08 per sq. m. Total fee for concession rights amounted to HRK 4,795 thousand in 2012 (2011: HRK 4,907 thousand).

48. EVENTS AFTER THE REPORTING PERIOD

As from 1 January 2013, the concession fee for the water supply services amounts to HRK 0.135 per sold sq. m.

49. PENSION INSURANCE

The Company does not operate a separate retirement plan for its employees or management, either in Croatia or abroad. Thus, no provisions for those obligations have been made.

The Company pays pension contributions on behalf of its employees in the Republic of Croatia in accordance with applicable legal regulations. These contributions form the basis for the pensions payable out of the Croatian National Pension Fund to Croatian employees upon their retirement. Currently, there are no outstanding retirement benefit obligations, either for the Company's present or former employees.

50. LEGAL AND REGULATORY ENVIRONMENT

The operations of the Company and its revenue are regulated by several laws, the most significant ones being as follows:

- The Law on Communal Management
- The Law on Local Self-government
- The Law on Waste
- The Institutions Act
- The Law on Waters
- The Cemeteries Act
- The Building Maintenance Act
- The Act on Free Zones

51. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were adopted by the Management and authorized for issue 31 May 2013.

Ivo Čović, Graduate Engineer

President of the Management Board

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